



**Western Cape
Government**
Provincial Treasury

SALDANHA BAY MUNICIPALITY

INTEGRATED PLANNING AND BUDGETING ASSESSMENT: ANALYSIS OF MUNICIPAL IDP, SDF AND BUDGET

Western Cape Government

APRIL/MAY 2020

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ANNEXURE A

LIST OF ACRONYMS

AQMP	Air Quality Management Plan
BESP	Built Environment Support Programme
CBA	Critical Biodiversity Areas
CBD	Central Business District
CEF	10-Year Capital Expenditure Framework
CMLs	Coastal Management Lines
CMP	Coastal Management Plan
CMP	Coastal Management Programme
COVID-19	Coronavirus disease 2019
CPP	Coastal Private Property
CSIR	Council for Scientific and Industrial Research
D: ELE	Directorate: Environmental Law Enforcement
DCAS	Department of Cultural Affairs and Sport
DDM	District Development Model
DEA&DP	Department of Environmental Affairs and Development Planning
DEFF	Department of Environment, Forestry and Fisheries
DHS/DOHS	Department of Human Settlements
DLG	Department of Local Government
DM	District Municipality
DSP	District Safety Plan
DWA	Department of Water Affairs
ECD	Early Childhood Development
EFZ	Estuary Functional Zone
EIAs	Environmental Impact Assessments
EO	Environmental Officer
EPWP	Expanded Public Works Programme
ESAs	Ecological Support Areas
FBE	Free Basic Electricity
FBS	Free Basic Sanitation
FBS	Free Basic Services
FBW	Free Basic Water
FRP	Financial Recovery Plan
HSP	Human Settlement Plan
ICM Act	Integrated Coastal Management Act

IDP	Integrated Development Plan
IGP	Infrastructure Growth Plan
IIAMP	Integrated Infrastructure Asset Management Plan
IIF	Infrastructure Investment Framework
IPSS	Integrated Performance Support System
IPWIS	Integrated Pollutant and Waste Information System
ISDF	Integrated Strategic Development Framework
ITP	Integrated Transport Plan
IWMP	Integrated Waste Management Plan
IYM	In-year Monitoring
JDA	Joint District Approach
JOC	Joint Operations Centre
kl	Kilolitre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour (1000 watt hours)
LED	Local Economic Development
LUPO	Land Use Planning Ordinance
MBRR	Municipal Budget and Reporting Regulations
MDG	Millennium Development Goal
MERO	Municipal Economic Review and Outlook
MFMA	Municipal Finance Management Act
MI	Municipal Infrastructure
MIG	Municipal Infrastructure Grant
MIP	Municipal Infrastructure Plan
MMP	Maintenance Management Plan
MRF	Material Recovery Facility
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
MTEF	2019 – 2024 Medium Term Expenditure Framework
MTREF	Medium Term Revenue and Expenditure Framework
MVA	Megavolt Amperes (1 Million volt amperes)
MWh	Megawatt hour (1 Million watt hours)
NDHS	National Department of Human Settlements
NEM: AQA	National Environmental Management: Air Quality Act
NEMP	National Estuarine Management Protocol

NRW	Non-revenue Water
NT Database	National Treasury Database
NT LG Database Upload Portal	National Treasury Local Government Database Upload Portal
O&M	Operations and Maintenance
PMS	Performance Management Systems
PRTA	Project Segment Tabled Budget
PSP	2019 – 2024 Provincial Strategic Plan
RMAs	Responsible Management Authorities
RMP	Road Management Plan
S@S	Separation of Waste at Source
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SEP-LG	Socio-Economic Profile Local Government
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
TABB	Tabled Budget
VIP	Vision Inspired Priority
WC	Water Conservation
WCBSP	Western Cape Biodiversity Spatial Plan
WCG	Western Cape Government
WDF	Waste Disposal Facilities
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: INTRODUCTION

The annual assessment of municipal integrated development plans and budgets presents an opportunity to deepen and strengthen existing partnerships, as well as identify new areas for collaboration to promote the "Integrated Service Delivery" approach. The importance of this assessment is stipulated in Chapter 5 of the Local Government Municipal Systems Act 32 of 2000 (MSA), the MSA Regulations and the Local Government Municipal Finance Management Act 56 of 2003 (MFMA). Provincial assessments afford the provincial sphere of government an opportunity to exercise its monitoring and support role to municipalities as stipulated by the Constitution. In addition, the assessments provide an indication of the ability and readiness of municipalities to deliver on their legislative and constitutional mandates. This report encapsulates comments by the Western Cape Provincial Government on the draft 2020/21 MTREF Budget, 2020/21 proposed amendments to Integrated Development Plan (IDP) and related documentation.

The assessment covers the following key areas:

- Conformance with the MFMA, MSA & Municipal Budget and Reporting Regulations (MBRR) and mSCOA regulations;
- Responsiveness of draft budget, IDP and SDF; and
- Credibility and sustainability of the Budget.

The MBRR A-Schedules, budget documentation, IDP and related documentation submitted by the Municipality are the primary sources for the analysis. The quality of this assessment report therefore depends on the credibility of the information contained in the documents submitted by the Municipality. The Provincial Government plans to engage the executives of your Municipality via video conference on 4 May 2020 where the key findings and recommendations of this report will be presented and deliberated upon. The planned engagement will contextualise the Municipality's challenges and responses as taken up in the draft budget, IDP and related strategies and plans.

An overview of the detailed assessment report can be found below to provide the Municipality with a synopsis from each of the main sections of the report.

● Public Value Creation

This section seeks to assesses the Municipality's Integrated Development Plan as well as a provides an environmental analysis of the Municipality and how it collectively contributes to achieving maximum public value.

● Economic Sustainability

This section examines if the tabled 2020/21 MTREF Budget is responsive from an economic and socio-economic perspective and the Municipality's ability to meet the legitimate expectations of the community for services from its limited resources to effect inclusive growth.

● Financial Sustainability

This section examines the financial health position of the Municipality through ratio analysis and assess the sustainability and credibility of the 2020/21 MTREF operating and capital budgets.

1.1 RESPONDING TO THE CORONAVIRUS (COVID-19): CONSIDERATIONS FOR MUNICIPAL PLANNING AND BUDGETING

The COVID-19 virus was recently declared a global pandemic by the World Health Organisation (WHO). On 5 March 2020, South Africa registered its first positive case where after new infections and transmissions spread rapidly across the country. Having considered the magnitude and severity of the virus and the possible future impact thereof on South Africa, the Minister of Cooperative Governance and Traditional Affairs on 15 March 2020 officially declared a national state of disaster as per section 27(1) of the Disaster Management Act, 2002 (Act No. 57 of 2002). As the spread of the virus intensified, President Ramaphosa on 23 March 2020 announced a nationwide 21-day lockdown which would come into effect at midnight, Thursday, 26 March 2020. On 9 April 2020, the President announced the extension of the lockdown to 30 April 2020. Section 27(2) of the Disaster Management Act allows for the development of regulations to, for the duration of the state of disaster, assist, protect and provide relief to the public; protect property; prevent disruptions and/or assist with dealing with the destructive and other effects of the disaster in question. Such regulations were official proclaimed in the Government Gazette on 25 March 2020.

The spread of the virus impacts severely on the municipal budget and planning process insofar it coincides with the tabling of draft annual budgets, draft reviewed IDPs and SDFs in terms of section 16(2) of the MFMA. Given that municipalities were expected to table these documents before council by no later than the end of March 2020, most of the strategic planning priorities and associated budget allocations for the 2020/21 financial year were finalised at the time when the lockdown was announced. Municipalities did as such not have sufficient time to adjust budget allocations to properly reflect their respective strategic responses to the virus.

The purpose of this section is to provide tangible recommendations as to how Saldanha Bay Municipality can adjust, revise and review their tabled budget to mitigate the effects of the virus, albeit only within their mandated areas of responsibility. Upon receipt of the final budget documentation, the various departments will consider to what extent Saldanha Bay Municipality took cognisance of below mentioned recommendations.

1.2 PUBLIC VALUE CREATION

1.2.1 Environmental and Planning Analysis

- **Directions in terms of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) and related legislation:**
 - On 31 March 2020 *Directions issued by the Minister of Forestry, Fisheries and Environment in terms of Regulation 10(8) of the Regulations issued in terms of Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002): Measures to address, prevent and combat the Spread of COVID-19* was published in the Government Gazette (Notice No. R. 439 published in Government Gazette No. 43190 on 31 March 2020 refers). (A copy of the Directions is available at: <https://www.gov.za/documents/disaster-management-act-environment-directions-measures-address-prevent-and-combat-spread>)
 - The abovementioned Directions replaces the Departmental Circular: DEA&DP 0003/2020 issued on 26 March 2020 and municipalities must study the Directions of 31 March 2020 and consider the implications for the Municipality and its processes carefully.
- **Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013) (SPLUMA):** Directions or an exemption in terms of SPLUMA have not yet been issued by National Government. If Directions or an exemption is not issued in terms of SPLUMA are not in the near future issued by

National Government, Minister Bredell will consider issuing an exemption in terms of Section 60 of the Western Cape Land Use Planning Act, 2014 (Act No. 3 of 2014) (LUPA) which would exempt Municipalities from provisions of LUPA as well as the corresponding provisions of the Municipal Planning By-Laws.

- **Basic Service provision** to Communities as well as De-Densification of certain Informal Settlements: A number of Regulations, Directions and Guidelines have been issued by National Government (all available at: <https://www.gov.za/coronavirus/guidelines>) including related to basic service provision to Communities.
 - Risks in terms of **waste from households affected by infected or quarantined patients** or those in self-isolation should be managed in line with the DEA&DP Circular 0006/2020 issued to municipalities dealing with the amendments made to the Protocol on Managing COVID-19 General Waste at Households.
 - Subsequent to the protocol being issued an intergovernmental COVID-19 **Waste Management Work streams were established with Waste Managers** and Environmental Health Practitioners, respectively that would coordinate, align operations and share information.
- The Department of Environmental Affairs and Development Planning is also working with the Western Cape Department of Human Settlements, and other partners, in terms of possible **de-densification of certain informal settlements** as part of the COVID-19 Disaster Response interventions. For more information regarding proposed de-densification of informal settlements the Department of Human Settlements, as the coordinating Department, should be approached.
 - In terms of **any environmental and planning regulatory requirements** during the COVID-19 Disaster the officials dealing with above mentioned matters working in the Department of Environmental Affairs and Development Planning can be contacted for guidance and details are captured in **Annexure A**.

1.2 ECONOMIC SUSTAINABILITY

1.2.1 Budget Responsiveness

- The Covid-19 related lockdown comes amidst already dire macro-economic conditions which has seen South Africa slump into a technical recession while consumer and business confidence dwindles. Towards the end of March 2020, Moody's classified South Africa's sovereign credit rating to sub-investment grade. The country now has a sub-investment grade credit classification from all three major international rating agencies. The lockdown will have a catastrophic effect on industry as non-essential business are forced to shut down completely resulting in a drastic reduction in overall economic output, productivity and substantial job losses. The impact will be particularly pronounced in labor-intensive industries such as construction, manufacturing and mining.
- Heightened levels of unemployment and layoffs impact heavily on household income and as the virus spreads and the lockdown continues, households will become more strained. More affluent households will probably have sufficient disposable income and savings to absorb the impact of a prolonged lockdown. In low-income households, the impact will be more severe, also negatively influencing the ability to afford trading services. Many of these households will subsequently be classified as indigent which will require municipalities to provide free basic services. *It is therefore envisaged that municipalities should increase their allocations towards the*

provision of free basic services (budget schedule A10) at a rate substantially higher than the normal inflationary adjustments.

Municipal response: Chief Financial Officer

Due to limited data and time constraints this will be considered in main adjustments budget.

- The lockdown and closure of industries will also potentially influence short-term migratory patterns as workers travel back to their families. The subsequent population changes will result in changed consumption patterns of trading services. Data on conventional household sizes might therefore be inaccurate and municipalities are urged to use such data with caution as part of their planning processes.
- To stop the spread of transmissions, authorities are proactively encouraging good hygiene practices which includes frequent washing of hands and deep cleaning. This will drive up household water and sanitation consumption which could prove problematic in especially rural areas of the Western Cape where many local communities are still battling the ongoing drought.
- The lockdown is also expected to have far reaching implications from an educational perspective. As economic hardship intensifies, many children might end up not returning to school when lockdown measures subside in order to assist their families to generate income. This will in turn have far reaching implications for future earning potential which ensures the continuation of the poverty cycle. Unlike their more affluent counterparts, students in vulnerable communities do not have sufficient tools to facilitate remote learning. Municipalities can assist in this regard by looking into ways to improve broadband connectivity throughout low income communities, including informal settlements, which would allow students to access study material from within their dwellings.
- The physiological impact of the lockdown on informal settlements should not be underestimated. Communities must also guard against the spread of misinformation which can further increase stress and anxiety. Municipalities have an active role to play in this regard, by collating and distributing reliable and verified information.
- Crowded living conditions for prolonged periods of time will inevitably force inhabitants outside of the dwelling, breaking the prescripts of the lockdown. Communities can also expect an increase in illicit activities relating to the movement of non-essential goods. Although the South African Police Service (SAPS) and SA Army are mostly responsible to ensure that communities abide by the lockdown regulations, an increase in localised criminal activities will strain municipal law enforcement resources.

Considerations for responsiveness allocations:

- Basic service delivery: Local government remains the coalface of basic service delivery. Access to trading services, especially in poor communities must be prioritised. Dedicated focus on water and sanitation to improve overall hygiene i.e. access to potable water in the form of water storage devices, installation of temporary communal taps and ablution facilities. Lockdown is expected to result in notable increase in residential household consumption which will require above inflationary operational increases, in particular for the provision of water and sanitation. Municipalities must also pre-empt a drastic reduction in commercial consumption which will negatively influence the revenue base.

- Human settlements: Allocations towards human settlements must be prioritised to ensure improved service delivery to the most vulnerable citizens living in informal settlements. Allocations to the housing function must be directed towards the provision of basic services, the facilitation of logistical arrangements to deliver relief food, grant collections and where possible, de-densification efforts. Thought should also be given to facilitate home deliveries of essential goods and services to restrict unnecessary movement.
- Food Relief: The Western Cape Government is currently busy finalising an extensive food security initiative which will provide much needed relief to poor households (including child feeding schemes). Details of this plan and the associated financial and non-financial support interventions will shortly be communicated to all district and local municipal role-players. Municipalities are urged to align their relief allocations with the commitments of the WCG plan.
- Safety and Security: Restricted movement brought on by the lockdown will arguably result in a decrease across all primary criminal offence categories, but does render commercial assets vulnerable. The ban on the sale of non-essential goods will also potentially give rise to illicit activities, while the lockdown will be difficult to enforce in densely populated areas. These circumstances will necessitate increased budget allocations towards the safety and security function to strengthen municipal law enforcement capacity.

1.2.2 Supply Chain Management

- On the 30 March 2020, the Minister of Co-operative Governance and Traditional Affairs issued out directions in terms of Section 27 (2) of the Disaster Management Act to address the combat, prevent and combat the spread of COVID 19 in South Africa. This directive brings to the attention of municipalities and municipal entities to take cognisance of the following requirements as it relates to emergency procurement:
 - Undertake emergency procurement within the Disaster Management Act, 2020 and the transversal contracts issued by the National Treasury;
 - Adhere to all the applicable National Treasury Regulations and MFMA Circular No. 101;
 - Decision-making that would have been approved by the Municipal Councils, will be made by the Municipal Manager on recommendation by the Chief Financial Officer with the concurrence of the Mayor or Executive Mayor;
 - Decisions taken must be taken in respect of an emergency nature and be reported to the first council meeting after the lockdown period; and
 - Report all procurement undertaken during the disaster period to the first council meeting after the period has lapsed.
- In view of the above, municipalities are urged to use the following procurement methods:
 - Provide emergency procurement in terms of SCM Regulation 36
 - Provision in terms of Regulation 32 as it relates to national transversal contracts e.g. MFMA Circular No. 101.
 - Tapping into the provincial disaster procurement systems as provided for by Department of Health and Department of Transport and Public Works

- Municipalities must also take cognisance of the following reporting requirements as it relates to the above procurement processes:
 - Record the reasons for any deviations undertaken in terms of regulation 36(1)(a) and report such reasons to the next municipal council meeting and record same as a note in the Municipality's annual financial statements as soon as is reasonably possible post lock down;
 - Reporting to Council in terms of SCM Regulation 6, on any procurement processes followed in terms of SCM Regulation 32 at a convenient time to be arranged as soon as it is reasonably practical and safe to do so
- Provincial Treasury will continue to guide and support municipalities regarding emergency procurement activities coupled to COVID-19. Further to this, the Provincial Treasury will be assisting municipalities post COVID-19 with systems and instruments to expedite the procurement planning process, with the aim to align municipal adjustment budgets and IDP deliverables.

Municipal Response: Chief financial Officer

SBM will only procure emergency goods and services by following a deviation process to SCM regulations; utilizing of transversal contracts (an order was already placed with HIS); or where applicable following prescribed processes in terms of legislation.

SBM takes cognizance of reporting requirements and have already started with procuring in this regard.

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1.3 FINANCIAL SUSTAINABILITY

- Specifically, reprioritisation of expenditure will have to be carefully planned and managed. From a reporting perspective, the Municipality may have to revisit the budget for interest costs, for payment holidays from finance institutions, can expect a sharper incline in unpaid debt due to the evident recession and the sharp increase in unemployment, and management may have to urgently revisit the indigent policy. This will necessitate the revisiting of the credit control policy.
- The Municipality is further encouraged to consider the re-assessment of its going concern ability considering the impact of the expected sharp increase in non-paying ratepayers. A further consideration is to reflect on the covid-related costs for goods and services which will be priced at a premium as there are indications of global shortages. Much of the efforts of the Municipality will be geared for humanitarian support, donations received must be considered and appropriately planned for. Lastly, as many of the expenses will have to be reconsidered, a re-assessment of the bad debt provision must be performed, and a relook at the repairs and maintenance budgets, and consequently, the impairment of assets as these expenditures are normally considered once all other critical expenses are considered.
- The National COVID-19 lockdown will to some extent have adverse effect on municipal operations as there will have to be budget re-prioritisation to cater for the impact of the COVID19 pandemic. To mitigate the financial impact of COVID19, the Municipality should curtail all non-essential spending and in turn optimise savings that can in turn be applied for related disaster relief initiatives. It is anticipated that the Municipality will overspend on the operating and underspend capital budgets as the COVID-19 lockdown will have an impact on completion of certain projects. The Municipality is advised to make the necessary provisions during 2020/21 MTREF budget to cater for the COVID19 related pressures.

Municipal Response: Chief Financial Officer

SBM has already started with a process of relaxing credit control enforcement mechanisms where water and electricity supply will not be cut during lockdown.

SBM is currently considering how relief can be provided to its consumers and ratepayers.

We are also consulting with other West Coast District municipalities in this regard. Where possible budgetary adjustments for expenditure will be dealt with through virement policy and or main adjustments budget.

SECTION 2: PUBLIC VALUE CREATION

2.1 INTEGRATED PLANNING

2.1.1 Introduction

An Integrated Development Plan (IDP) is the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development in a municipality. An IDP provides the strategic direction for all the activities of a Municipality over five years linked to the council term of office.

Each municipal council must annually review and may amend the IDP of the Municipality. Should the review process determine that an amendment is required, a municipality should follow the process as stipulated in Regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations of 2001.

The 2020/21 review of the IDP of the Saldanha Bay Municipality (the Municipality) is the third review of the 2017 - 2022 IDP. The 2020/21 IDP review approach took into consideration an assessment of the performance measurements of the Municipality and the extent that changing circumstances so demand.

2.2 INTEGRATED PLANNING ANALYSIS

2.2.1 IDP overview

The 2020/21 IDP Review reflects the vision, mission statement and ten strategic objectives of the Municipality which remained unchanged. Each strategic objective has objectives with key performance indicators. Minor amendments have been effected to two objectives e.g. under the strategic objective to diversify the economic base of the Municipality, the development of a strategy for the Economic Development and Strategic Services Directorate was added.

The 2020/21 IDP Review contains a contextual analysis making use of the latest available socio-economic data. The analysis (pages 31 to 56) covers aspects such as the population, educational levels, household sizes, access to housing and household services, poverty indicators, free basic services and the economy.

Chapter 4 of the 2020/21 IDP review deals with ward planning and includes a table indicating the percentage of the population in each ward that do not have access to basic services. The community needs per ward are covered in this chapter.

The 2019 Municipal Economic Review Outlook (MERO) highlights that whilst Saldanha Bay contributes most to the Gross Domestic Product per Region of the West Coast District, the trepid growth rates experienced in local economy is of concern. Between 2008 and 2017, the Saldanha Bay municipal area realised average annual growth rates lower than that of both the District and the Provincial economy, with an average growth rate of 1.9 per cent over the period.

The September 2019 announcement by ArcelorMittal South Africa (AMSA) that it could close some operations as part of a review aimed at strengthening long-term sustainability will result in job losses in Saldanha Bay and further impact the local economy. However, the support from the Western Cape Government which includes the hosting of a Career Resilience Outreach in Saldanha Bay for AMSA workers has provided the workers with a range of services and advice on workers' rights, financial planning, starting a business, re-training, applying for a new job etc.

The Municipality responded to the challenges faced by the local economy by developing a Strategic Economic and Financial Framework (SEFF). Pages 82 to 84 of the 2020/21 IDP review provides an overview of the SEFF and highlights that the data emanating from it will guide the development of the 2021/22 IDP. Furthermore, it is anticipated that the local economy will in time improve with the Saldanha Bay Industrial Development Zone having signed three new investment agreements worth R300 million bringing the total number of signed investors to eleven.

2.2.2 IDP process

In terms of Sections 28 and 29 of the Municipal Systems Act 32 of 2000 (MSA), a municipality must follow a prescribed process when reviewing and/or amending an IDP. Furthermore, key activities and deadlines for the process must be set out in a Time Schedule adopted in terms of Section 21 of the Municipal Finance Management Act 56 of 2003 (MFMA).

The 2020/21 IDP Review contains a summary of the IDP process and sets out the key deadlines, the stakeholders involved in the process, the mechanisms used to communicate the progress made in developing the 5-year IDP and the subsequent annual reviews. In addition, the Municipality's 2020/21 MFMA Time Schedule adopted in July 2019, provides for the tabling of the IDP in April 2020, inviting public input on the tabled IDP and the adoption of the IDP in May 2020.

In line with Sections 28 of the MSA, the Municipality's 2020/21 IDP review was therefore guided by an IDP/Budget Process Plan and a Time Schedule as required by the MFMA.

2.2.3 IDP notable changes

The contextual analysis on pages 31 to 56 of the 2020/21 IDP Review was updated where relevant to reflect the latest information from the MERO and the 2019 Local Government Socio-Economic Profile (SEP-LG). Furthermore, the table analysing infrastructure spending on pages 61 and 62 was updated to reflect the latest Medium-Term Revenue and Expenditure Framework period.

Chapter 5 of the 2020/21 IDP review deals with organisational arrangements and has been updated to reflect changes in councilors and who is serving on the various portfolio committees (pages 66 to 68). The table reflecting the management team of the Municipality was updated (page 70).

Chapter 6 deals with intergovernmental alignment (pages 75 to 216) and contains a number of changes and additions. Reference is made to a new sector plan namely, a Bulk Waste Master Plan to be compiled during the 2019/20 and 2020/21 financial years (pages 78-81). The section dealing with the MERO (pages 99 to 101) has been updated with information reflective of the latest MERO and SEP-LG statistics.

The Saldanha Bay Industrial Development Zone (IDZ) is dealt with on pages 106 to 112 of the 2020/21 IDP review. The information is updated and reflects the competitive advantages of the Saldanha Bay area, the progress made in getting the IDZ operational, the Municipality's partnership with the IDZ and planned future developments for the IDZ.

The 2020/21 IDP review contains a section on Public Safety which includes new road safety strategic action plan; traffic management; law enforcement and security (and the Saldanha Bay Safety Initiative). This addition is acknowledged as safety has been prioritised in the 2020 - 2024 Provincial Strategic Plan (PSP).

The section on Human Settlements has been revised to include challenges confronting housing in the Municipality, accreditation requirements and the waiting list versus qualifying beneficiaries. In addition, the projects completed during the 2019/20 and the new projects to be implemented. The addition of the new projects is in line with the approved housing pipeline.

Changes to other infrastructure aspects in Chapter 6 of the 2020/21 IDP Review include updating the list reflecting the additional electrical network projects to be covered over the next 5 years updated (page 187), costs of rehabilitation of waste disposal facilities with revised data and updating the table on high level capital building maintenance plan/objectives.

The 2020/21 IDP review does not reflect on the 2019 - 2024 Medium Term Strategic Framework (MTSF), PSP and on the Joint District Approach (JDA) which is Western Cape's response to the President call to develop and implement a new integrated district based approach (District Development Model) to address service delivery challenges.

Municipal response: [Director Economic Development and Strategic Services](#)

[Noted](#)

2. ENVIRONMENTAL AND PLANNING ANALYSIS

2.3.1 Compliance, Performance, Implementation and Changing Circumstances:

This section seeks to articulate the findings (from each legislated functional area) based on a verification process of the reviewed information, in terms of compliance and performance. This includes information extracted from the IPSS (WCMEs), draft tabled budget, IDP/SDF and sector plans. The functional areas refer to the participating internal DEA&PD components and include the following: Biodiversity Management, Development Management, Waste Management, Pollution and Chemical Management, Coastal Management, Climate Change, Sustainability, Air Quality Management.

Additionally, where relevant, the level of implementation (what were the municipalities supposed to achieve in terms of compliance and performance) will be highlighted.

This section will, furthermore, consider any changing circumstances that might affect the planning and budgeting for the next financial year and highlight these where appropriate.

Spatial Planning

The SDF was approved in May 2019 and gives more guidance towards the implementation of the land development principles described in SPLUMA and LUPA. The tracking of performance in terms of these principles and the development strategies in the SDF will follow with time. Several RSEP projects are being implemented in support of spatial justice and urban restructuring, and vacant plots have been identified for infill development to promote integration. Rapid Development Areas for more intense land use activities along transport corridors and other opportunities for mixed use development supports the strategy for more compact urban areas and economic growth. Water shortfalls for the towns of Saldanha, Vredenburg and Langebaan has been noted which might constraint the local economy. The SDF promotes the sustainable extraction of groundwater.

The starting point for the development of a Capital Expenditure Framework (CEF) is to have a range of integrated sector plans to enable efficient municipal resource allocation, synchronised with all planned government expenditure. The Municipality has updated most master plans and developed a new Long Term Financial Plan. Work towards a CEF is in the pipeline to provide better guidance to IDP budget prioritisation to enhance spatial transformation goals.

Biodiversity

The SDF is under review, but in the Environmental Management Framework (EMF 2015) Critical Biodiversity Areas (CBAs) are afforded highest conservation priority (EMZ 1) but Ecological Support Areas (ESAs) are afforded EMZ 2 - develop with care: Valued Resources. It is unclear whether this has the same level of conservation priority as Core 2. Although an Alien Eradication Plan was adopted in 2019, it is stated in the IDP that budget to implement this will only be available in the 2020/21 budget year. However, this is not evident from the submitted budget information.

Climate Change

Although there are aspects of the climate change response strategy that are legislated for municipalities, such as climate change adaptation as part of the Disaster Management Amendment Act and the Spatial Planning and Land Use Management Act, amongst others, there is no stand-alone climate change legislation. However, a Climate Change Bill is currently under development.

There is therefore no requirement on municipalities to develop a climate change response framework or strategy. The Municipality acknowledges already feeling the negative impact of climate change especially due to its location and development taking place in high risk locations - port and harbour infrastructure and development on the coastal fringe. Specific threats to the Municipality include changes in rainfall patterns and amount of rainfall received, sea level rise and risk posed to low-lying areas. Water scarcity is also identified as a major challenge that the Municipality will continue battling with, impacts of which will be exacerbated due to climate change. Cognisant of these threats, the Municipality indicates the need for it to internalise the West Coast District Municipality Climate Response Framework in developing its localised plans and project implementation.

The IDP identifies a number of low carbon development opportunities in development and expansion of industries and it also highlights opportunities around implementing renewable energy projects particularly linked to the industrial activities taking place in the region and the potential for resource efficiencies that can be implemented. The IDP also acknowledges the need to include climate change and adoption of an integrated approach to planning for development beyond its municipal boundaries.

Municipal response: [Director Economic Development and Strategic Services](#)

[The comments on Sections: Spatial Planning and Climate Change are noted as no specific feedback required.](#)

[In respect to budgetary provision in 2020/2021 for the implementation of the Alien Eradication Plan, budgetary provision has been made under Function: Pollution Control Environmental Management \(780\) for appointment of external contractors where the Municipality is not able to handle within its own current operational resources.](#)

Waste Management

(a) Waste Management Planning

The Municipality has a designated Waste Management Officer (WMO) and has submitted a 3rd generation Integrated Waste Management Plan (IWMP) to the DEA& DP, which meets the minimum requirements as stipulated in the National Environmental Management: Waste Act (Act No. 59 of 2008) as amended. The IDP 3rd Review (March 2020) shows integration with the IWMP.

(b) Waste Information Management

The following waste management facilities are registered on IPWIS and reporting is current:

- Vredenburg Landfill
- Vredenburg MRF

There are 2 operating waste management facilities. The Saldanha Bay Municipality makes use of a weighbridge at the Vredenburg Landfill site. Supporting documents are being sent to DEA&DP monthly. Saldanha Municipality have diverted 27037T of waste and have a rate of 23% for waste diversion.

(c) Waste Minimisation & Policy Development

The Saldanha Bay Municipality has a by-law which is aligned with the Waste Act. Waste minimisation is incorporated into the IWMP and this municipality is one of only two municipalities that has drafted an organic waste diversion plan.

The Municipality has four transfer stations, a MRF and drop offs for waste disposal. A separation at source programme is also running with a strong awareness focus. Igloos for recycling are available in public spaces throughout the Municipality including public transport nodes. The Municipality support a privately-run Swop Shop in the area. Green waste from operational activities in parks and gardens are provided to a private company (for composting).

Educational campaigns are run within communities by EPWP workers which includes door-to-door campaigns and flyer distribution. These EPWP workers also liaise with informal settlements. Trucks are branded with awareness messages. Updated municipal website with a recycling link on homepage and a link to the newly developed video explaining what happens to waste within the Municipality. Radio talks on local radio-station, Radio Weskus is used to have focussed discussions on littering.

(d) Waste Management Licensing

The Langebaan Waste Disposal Facility (WDF) has reached capacity and the site serves as a transfer station for waste to be disposed of at the Vredenburg WDF. The Vredenburg WDF has reached capacity, but a new cell is currently being constructed. Due to hydrogeological restrictions encountered in the new cell, a height increase is believed to be applied for the current cell at the Vredenburg WDF. If the height extension is authorised for both cells and the second cell is constructed, the waste management infrastructure would be sufficient. The latest Departmental Audit was conducted on 4 October 2019 for Vredenburg WDF and it had an 82.64 per cent compliance score. Both the internal and external audit reports are received for Langebaan and Vredenburg WDFs.

Coastal Management

In terms of the maturity levels and the information available, the Directorate indicates the Municipality scores an overall rating of '2', which is regarded as the development level as per the IPSS governance maturity levels. The Municipality has contributed to the recent update of the local CMP and this shows acknowledgment of the coastal function within the Municipality. The CMP will assist and guide the Municipality into its IDP planning processes and other strategic work. The

Municipality has indicated that they are not the responsible for the management of PLS, however the MEC has listed three Public Launch Site/s in the Municipality. The current PLS list is due for review in the upcoming financial year. The DEA&DP is assisting with development of operational plans for all municipalities and is willing to assist SBM. The West Coast Coastal Management Line has been included in the Saldanha Bay Local Municipal SDF. The West Coast Coastal Access Audit has been concluded and DEA&DP will provide the Municipality with the finalised reports within the financial year. These reports will allow the Municipality to assess and prioritise coastal access sites that may require designation and any maintenance that may be deemed necessary.

Air quality

In terms of Section 14(3) and Section 15(2) of the National Environmental Management: Air Quality Act (NEM: AQA), a Municipality must designate an Air Quality Officer and adopt an Air Quality Management Plan (AQMP) within its jurisdiction. To ensure that a budget is allocated for air quality management, each municipality must include in its Integrated Development Plan (IDP), an AQMP.

The Saldanha Bay Municipality has designated an Air Quality Officer and has adopted an AQMP, as per the NEM: AQA. The Saldanha Bay Municipality commissioned two ambient air quality monitoring stations, however the Municipality must allocate funding to implement the AQMP, particularly in terms of monitoring ambient air quality to manage potential air pollution that may result from increased urbanisation.

2.3.2 Strategic Support/Programmes Initiatives and Projects:

This section will include the APP, non-APP, SP and support initiatives for each District in terms of, for example, Waste Management, Water security and Disaster Management.

Spatial Planning

The Municipality has indicated their interest in being part of the CEF initiative currently being developed by the Spatial Planning Directorate in DEA&DP in collaboration with DLG and the DBSA.

The DEA&DP will continue with the joint planning process towards the implementation of the Saldanha Strategic Offset Strategy (SSOS) and will assist the Municipality to refine and develop the spatial proposals of the Besaansklip Industrial Area.

Biodiversity

The IDP acknowledges that biodiversity underpins the natural resources and ecological infrastructure needed for sustainable development. It also references both the Provincial Biodiversity Strategy and Action Plan (PBSAP) and the Western Cape Biodiversity Spatial Plan (WCBSP 2017) and the importance of using the WCBSP to guide development. The Cape West Coast Biosphere Reserve is very active in the area and aims to work with municipal partners in implementing sustainable development principles along the West Coast in addition to integrating rapid growth with biodiversity and heritage conservation. The IDP includes discussion of the climate change corridors identified in the area.

The Municipality has a Greater Saldanha Regional Spatial Implementation Framework (GS RSIF), which identified the Securing of Ecological Infrastructure Corridors as a catalytic intervention to address regional-scale challenges. As a result, a strategic biodiversity off-set strategy was developed for the Besaansklip Industrial Area. In terms of alien clearing, it is not clear from the IDP what alien clearing is taking place.

Climate Change

The Climate Change Directorate is currently waiting for clarity on the requirements for municipalities of the Climate Change Act. Once promulgated, this information will then be shared with municipalities and a Climate Change Municipal Support Programme will be re-established.

The Municipality launched its Climate Change Adaptation Strategy in 2012/13 while updates and implementation of the Electrical Network Development Plan as launched in April 2014 draws from both the Western Cape Climate Change Mitigation Scenario exercise for the energy sector and Western Cape Climate Change Response Strategy.

Waste Management

(a) Waste Management Planning

The DEA&DP will host a two-day Integrated Waste Management Workshop in the 2nd quarter of 2020/21, which will cover various waste-related topics of interest to the municipalities. In the 2020/2021 financial year, the DEA&DP will develop a Status Quo on Sewage Sludge and a Status Quo on Current Municipal Transport and Collection of Waste. Further support can be provided on request from municipalities for Waste Characterisation training and studies. The DEA&DP has finalised the development of a Household Hazardous Waste Guideline and Minimum Requirements for the Appointment of Waste Managers to assist with the recruitment of appropriately skilled waste managers. The DEA&DP is also developing an annual reporting template for municipalities to report on the implementation of their IWMPs as per the NEM: WA requirements.

(b) Waste Information Management

Continued assistance and training with regards to Waste Calculator and IPWIS is being provided by the Department. For the 2020/21 financial year, one (1) IPWIS workshop will be conducted focusing on IPWIS waste reporting and addressing IPWIS Frequently Asked Questions (FAQs). The Department will inform selected municipalities' in writing 30 days prior, regarding IPWIS waste data audits to be conducted with selected facilities.

(c) Waste Minimisation & Policy Development

The Department currently has an Informal Settlement project in place to promote integrated waste management within informal areas. This will be presented to all waste managers for implementation in the 2020/21 financial year. Further to this, engagements on the Model Waste By-law will occur within various regions across the Western Cape.

(d) Waste Management Licensing

The Department is in the process of assisting Municipalities through an Illegal Dumping Task Team to identify reasons for and solutions to illegal dumping. The Department plan to train municipal staff on the Alternative Waste Treatment Technologies tool. The Department has completed internal audit training with the Saldanha Bay Local Municipality waste management staff.

Air Quality:

The Directorate Air Quality Management (D: AQM) provides a supportive and oversight role to Municipalities with respect to air quality management. The D: AQM co-ordinates quarterly Provincial Air Quality Officers' Forums, inclusive of Air Quality Management Plan Working Groups Meetings. The Forums serve as a platform for Air Quality Officers to develop a common understanding and approach to managing air quality in the Province, particularly as it relates to air pollution and air quality regulatory processes, inclusive of noise, dust and offensive odour management in their

jurisdictional areas. All Municipal Air Quality Officers are required to implement the mandates of air quality management, as assigned by the NEM: AQA, and hence are required to attend and participate in the Forums.

Capacity building on air quality management also takes place at the quarterly Provincial Air Quality Officers' Forums; however, it is imperative that Municipalities make funding available to ensure that officials are capacitated via formal air quality management training programmes.

Aside from the Forums, interactions between the D: AQM and Municipal Air Quality Officers takes place on a regular basis, particularly in terms of addressing air pollution complaints and providing advice on air quality regulatory services in their Municipalities. In terms of the NEM: AQA, measures in respect of dust, noise and offensive odour is a Local Government responsibility. It is therefore imperative that Municipalities develop and adopt Air Quality Management By-laws to ensure air quality compliance measures and intervention strategies in their areas. The Saldanha Bay Municipality has developed and adopted a By-law to ensure compliance to air quality management.

The D: AQM also regulatory engages Municipalities where the Department has located an Ambient Air Quality Monitoring Station. Ambient air quality is currently monitored in Saldanha Bay Municipality. The Municipality is encouraged to allocate budget to continuously monitor ambient air quality in its jurisdiction. Noting the current economic constraints, the Municipality may opt to measure key criteria pollutants via passive sampling or low-cost air quality sensors, as these are more cost-effective than fully-equipped continuous ambient air quality monitoring stations. The D: AQM can be called upon to advise the Municipality on the use of the more cost-effective approaches to monitor ambient air quality in their jurisdiction.

SECTION 3: ECONOMIC SUSTAINABILITY

3.1 INTRODUCTION

This section examines to what extent the tabled 2020/21 MTREF Budget is responsive from an economic and socio-economic perspective and the Municipality's ability to meet the legitimate expectations of the community for services from its limited resources to contribute towards achieving economic sustainability and maximising benefits for its residents.

An overview of budget allocations to strategic objectives exercise is conducted to understand the alignment of the tabled budget to its Integrated Development Plan. Furthermore, enablers of economic growth such as infrastructure and procurement will be analysed in relation to budget priorities and policies and an own revenue analysis will be performed.

3.2 SOCIO-ECONOMIC CONTEXT AND IMPLICATIONS

Table 1 Saldanha Bay Socio-Economic Overview

Key Socio-Economic Indicators	NDP Goals	Local Context	Implications
Demographics	0.5% - 1% per annum by 2030 (Nationally)	1.7% per annum (Census 2011, 2016 Community Survey)	Population increase expected to place strain on municipal service; Dependency Ratios and impact thereof on National and Local Government.
Unemployment	14% by 2020	15.7% (2018) (Western Cape Government, Overview of Provincial Revenue and Expenditure, 2019)	Direct impact on household income, ability to afford basic services. More households register as indigents and qualify for provision of free basic services; further strain on municipal resources.
Education	A learner retention ratio of 90 per cent	Learner retention ratio - 67.7% (SEP-LG 2019)	Inability to afford school fees, increasing drop-out rates; less teachers can be appointed which in turn increases learner-teacher ratio; availability of library services at schools.
Health	Maternal mortality to fall from 500 to 100 per 100 000 live births	Maternal Mortality was 119 per 100 000 live births in 2018 (SEP-LG 2019)	Decline in health outcomes over the period indicates a decline in overall development in the area, decline in a healthy, resilient workforce and increase in pressure on government resources
Poverty	For zero households to be below the R418 monthly income poverty line	GDP per capita - R49,931.00; Gini coefficient - 0.60; HDI - 0.73 (SEP-LG 2019)	Lower per capita income amidst constraining economy and population increase; income inequality and Gini coefficient; Human Development Index is improving; poverty translates to greater reliance on social support structures.
Safety and Security	For all citizens to feel safe and free of the fear of crime	25 murders per 100 000 people (WCD 28 murders per 100 000) (SEP-LG 2019)	Closely linked to other social-ills, crime hampers growth, discourages investment and capital accumulation, cycle of crime and poverty.

Comments:

- The population projection for Saldanha Bay is estimated to increase to 127 278 by 2024. This in turn equals an average annual growth rate of 1.7 per cent, with this projected growth rate marginally above that of the District figure of 1.5 per cent.
- In recent times the unemployment rate has been rising steadily across the Saldanha Bay region reaching 15.7 per cent in 2018. This is notably above the figure recorded for the District (10.7 per cent in 2018) over the same period, while lower than the provincial rate of 17.7 per cent. Saldanha Bay also has the highest unemployment rate when compared to the rest of the WCD.
- The retention rate, which serves as an important proxy for the future prospects of the Saldanha Bay labour market, has regressed year-on year from 70.5 per cent in 2016 to 67.7 per cent in 2018. This is a touch concerning given the importance of Saldanha Bay to the overall West Coast District economy. Furthermore, with the influx of job seekers to the region, the demand for social services (Education in particular) will be heightened.
- In relation to healthcare, the Immunisation rate in the Saldanha Bay area has been generally low, although the rate has improved from 48.7 per cent in 2017/18 to 53.7 per cent in 2018/19. The number of malnourished children under five years (per 100 000) in Saldanha Bay in 2017/18 was 0.4 which increased to 1.8 in 2018/19.
- Poverty indexes usually comprise of a number of indicators in order to gain a holistic perspective of the situation facing a particular region. At R49 931 in 2018, Saldanha Bay's real GDP per capita is notably above that of the WCD's figure of R44 254 but well short of the Western Cape's R60 079. Of particular concern is the Gini coefficient recorded for the region. Income inequality levels were marginally higher in Saldanha Bay for 2018 with a Gini coefficient of 0.60 when compared to neighbouring municipalities across the WCD and the Western Cape.
- In relation to overall development, the composite index which is presented by the HDI, has displayed a general increase in the HDI in Saldanha Bay from 0.70 in 2012 to 0.73 in 2018. The trend for the WCD and the Western Cape in general has been similar between 2012 and 2018, The HDI levels in Saldanha generally remain on par with that of the West Coast but lag the HDI levels for the Western Cape.

3.3 KEY BUDGET PRIORITIES IN TERMS OF IDP STRATEGIC OBJECTIVES

The 2020/21 MTREF budget breakdown in terms of the strategic objectives is indicated in the table below. Saldanha Bay Municipality budgeted for a total operating expenditure of R1.264 billion and a total capital budget of R260.1 million in the 2020/21 financial year.

Table 2 Strategic Objectives for the 2020/21 Medium Term Revenue & Expenditure Framework

Strategic Objective	2020/21 Medium Term Revenue & Expenditure Framework OPEX				2020/21 Medium Term Revenue & Expenditure Framework CAPEX			
	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23	Average Annual Growth	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23	Average Annual Growth
To diversify the economic base of the municipality	62 931	64 531	68 376	4.2%	-	-	-	-
To develop an integrated transport system	104 860	111 193	118 244	6.2%	65 174	41 376	37 092	-24.6%
To develop safe, integrated and sustainable neighbourhoods	36 814	39 137	41 749	6.5%	28 710	22 919	13 201	-32.2%
To maintain and expand basic infrastructure as a catalyst for economic development	175 597	185 763	197 585	6.1%	147 131	121 142	93 406	-20.3%
To be an innovative municipality on the cutting edge	652 083	702 839	761 260	8.0%	7 552	5 094	7 358	-1.3%
An effective, efficient and sustainable developmental oriented municipal administration	161 364	188 428	182 346	6.3%	7 981	6 433	7 906	-0.5%
To develop and use a multi-platform communication system	3 601	3 774	3 955	4.8%	-	-	-	-
To provide ethical and effective leadership	43 205	46 055	49 129	6.6%	-	-	-	-
To ensure compliance with the tenets of good governance	14 746	15 259	16 334	5.2%	-	-	-	-
To provide and maintain superior decentralized	9 580	10 252	10 970	7.0%	3 648	200	200	-76.6%
Total Expenditure	1 264 782	1 367 231	1 449 947	7.1%	260 198	197 163	159 162	-21.8%

Source: Saldanha Bay Municipality, A-Schedules

Comments:

- The strategic objectives noted in Budget Tables SA5 and SA6 for the 2020/21 MTREF are aligned to the reviewed IDP's strategic objectives. The Municipality places emphasis on two strategic objectives in both the operational and capital budget but specifically more so in the capital budget.
- The bulk of the 2020/21 operating budget spending (Opex) (51.6 per cent in 2020/21) relates to the strategic objective "To be an innovative municipality on the cutting edge". This proves to be a shift from the 2019/20 strategic budget allocations which were primarily focused on "An effective, efficient and sustainable developmental oriented municipal administration."
- The Municipality is applauded for increasing the allocation substantially for the strategic Objective: "To diversify the economic base of the Municipality through industrialisation, whilst at the same time nurturing traditional economic sectors". The R68.3 million allocated in 2020/21 shows the intent of the Municipality to prioritise and mobilise the sector support and revitalisation of the Saldanha Bay economy and further entrenches the IDP's prioritisation of this particular strategic objective.

- Capex displays a 'concentrated' allocation of funding priorities for the various strategic objectives with R147.131 million (or 57%) allocated to "To maintain and expand basic infrastructure as a catalyst for economic development." This ties in with the IDP strategic priority of providing a stimulus to the economy as well as creating an enabling environment through the aforementioned budget allocations with a strong "Economic stimulus package" focus.
- The strategic objective, "To develop an integrated transport system to facilitate the seamless movement of goods and people within the municipal area and linkages with the rest of the District and the City of Cape Town" also receives priority with an allocation of R65.1 million (or 25%) in 2020/21.
- The consistency in allocations across the MTREF specifically for the strategic objective "To maintain and expand basic infrastructure as a catalyst for economic development," is to be commended and indicates a clear vision within the Municipality on its core mandate over the ensuing MTREF.

3.4 PROVINCIAL RESOURCE ALLOCATION

Table 3 Provincial Payments: Saldanha Bay Municipality

Department R'000	Outcome			Medium-term estimate			
	Audited 2016/17	Audited 2017/18	Audited 2018/19	% Change from Revised estimate 2020/21	2019/20	2021/22	2022/23
Department of Community Safety	139	528	2 205	603	3.79	629	653
Department of Education	227 753	241 890	259 726	298 891	6.79	316 965	334 455
Department of Health	232 678	229 537	263 733	299 137	32.26	319 546	333 191
Department of Social Development	7 726	5 267	7 709	6 215	5.50	6 557	6 872
Department of Human Settlements	40 100	42 964	35 050	52 670	26.73	55 567	58 234
Department of Environmental Affairs and Development Planning	9 702	1 658	1 802	1 000	(76.19)	1 000	
Department of Transport and Public Works	128 582	182 888	289 637	101 563	(43.49)	107 149	112 292
Department of Economic Development and Tourism		55 956	64 632	42 566	(42.62)	40 054	41 977
Department of Cultural Affairs and Sport	6 268	6 769	7 413	7 757	0.25	8 183	8 633
Department of Local Government	1 146	1 709	2 476	2 559	29.64	2 570	2 134
Total	654 094	769 166	934 383	812 961	(1.09)	858 220	898 441
Total Transfers to Saldanha Bay Municipality	56 469	57 134	66 631	51 503	2.25	45 913	46 553
Transfers as a percentage of Provincial Payments and Estimates	8.63	7.43	7.13	6.34	3.37	5.35	5.18

For the 2020/21 financial year, Provincial Government will spend an estimated R812.9 million in Saldanha Bay. The highest spending departments are Health (37.0 per cent), Education (36.8 per cent) and Department of Transport and Public Works (12.5 per cent). Together these three departments represent 86.3 per cent of Provincial Government spending in the Saldanha Bay.

The notable allocations accruing to Education and Health (key Provincial mandates) are welcomed given the “Secondary City” focus surrounding Saldanha Bay. Key social infrastructure is a pre-requisite for overall development and welfare improvement across a specific region. The Municipality is currently under strain given the provision of Education and Healthcare, even more so given the influx of job seekers in search of employment and general services (Social and Basic Services).

Learner enrolment (8.4 per cent), Educational facilities (23, SEP-LG 2019) and Learner retention (67.7, SEP-LG 2019) as well as Healthcare facilities (10 primary healthcare facilities) and a growing malnutrition rate (1.8) is further proof of the growing demand for social services across the municipal region.

The actual transfer of funds (i.e. grants) to Saldanha Bay is relatively small (6.3 per cent) compared to the estimated spending of Provincial Department within the municipal area.

3.5 ENABLERS OF ECONOMIC GROWTH AND DEVELOPMENT

Infrastructure as an enabler of economic growth

Infrastructure development is not only beneficial to the economy in the short term but also creates the conditions for sustained competitiveness, growth and jobs, both in developed economies and in emerging markets.

Access to infrastructure provision promotes human development and a better quality of life through improved productivity and sustainable economic growth, specifically, public infrastructure provisioning may enhance trade and commerce and play an important role in alleviating poverty and inequality. Therefore, infrastructure investment is a key enabler to sustain growth over time. This section will assess provincial and municipal infrastructure allocations over the MTREF and its contribution to economic growth in the municipal area and region.

(1) Provincial and Municipal Capital Budget Expenditure 2020/21

Table 4 Comparison of Provincial and Saldanha Bay Municipal Infrastructure Expenditure: 2020/21 (R'000)

Type	2020/21		
	Provincial Infrastructure Spend	Municipal Infrastructure Spend	Total
Economic Infrastructure	48 000	69 072	117 072
Road Transport and Public Works	48 000	68 724	
Environmental Protection		348	
Social Infrastructure	73 513	2 853	76 366
Education	19 500	-	
Health	12 610	-	
Social Development	-	1 596	
Housing	41 403	1 257	
Trading Services	-	144 287	144 287
Electricity	-	22 850	
Water	-	52 427	
Waste Water Management	-	41 644	
Waste Management	-	27 367	
Other		43 986	43 986
Total Infrastructure Spend	121 513	260 198	381 711

Source: 2020 Western Cape EPRE (Provincial spend), National Treasury Database (Municipal spend)

3.5.1 Economic Infrastructure Analysis

Road Transport

A relation between the quantity and quality of transport infrastructure and the level of economic development is apparent. High-density transport infrastructure and highly connected networks are commonly associated with high levels of development. When transport systems are efficient, they provide economic and social opportunities and benefits that result in positive multiplier effects such as better accessibility to markets, employment, and additional investments. The Provincial spend in this regard supports this view with Road infrastructure allocations supporting the mass investment in the Saldanha Bay region.

The top 3 projects from a provincial spend are listed as follows:

1. Vredenburg – Saldanha (R40.0 million.)
2. AFR Saldanha Bay IDZ – (R5.0 million)
3. Vredenburg-Paternoster – (R3.0 million)

The interconnectivity of towns within the municipal sphere has strong economic development implications and the Provincial allocation in this regard is seemingly matched by the Municipality with the following key Road Transport projects prioritised for 2020/21, namely:

1. 353-Louwville Project 3475: Services: GAP: Roads-k (R4.1 million)
2. 353-Upgrading Oostewal Street Lbn Phase 3-CRR (R12.4 million)
3. Witteklip Project 3627 Phase 1: SERVICES : IRDP Road-k (R5.2 million)

The above allocations is directed to address some of the socio-economic road transport challenges facing the Municipality while simultaneously contributing towards the unlocking economic opportunities.

As per the Municipality's Amended 4th Generation IDP, Road Infrastructure features prominently across the Road Safety Strategic Action Plan for the Priorities (Pg 124) as well as the Integrated Transport Plan (Pg 197) in which Projects were categorised based on project type and focus areas i.e. road infrastructure maintenance and upgrade.

3.5.2 Social Infrastructure Analysis

Education

The learner retention rate for Saldanha (67.7 per cent in 2018) has been marginally regressing since 2016 especially when comparing to the rate of the surrounding municipalities across the West Coast District. More importantly youth unemployment remains a persistent problem with learner retention numbers regressing year on year while the population growth rate steadily increases. To this end the Panorama Primary School Infrastructure Project (R9.5 million) and the Saldanha Primary School Infrastructure project (R10.0 million) which is prioritised for 2020/21 is a welcome relief to absorb the growing demand for Education services in the region.

Health

A steadily growing population as well as a spill-over of inhabitants from the crowded metro (City of Cape Town) has placed strain on the healthcare system across the Saldanha Bay region. The demand for healthcare services (10 PHC Clinics; 1 District Hospital) is currently growing as the indigent register swells year-on-year and the informal sector remains prominent across the region added further strain to the public healthcare system across the region. The top 3 infrastructure projects for 2020/21 embarked upon by the Provincial government is sure to provide some relief to the Healthcare demand, namely:

1. St. Helena Bay - Sandy Point Satellite Clinic - Replacement (R4.1 million)
2. Vredenburg - Vredenburg Hospital - HT (R2.0 million)
3. Vredenburg - Vredenburg CDC - New (R1.4 million)

The Municipality's IDP acknowledges the strain on its healthcare facilities available (Pg 119, Section 6.2.2.2). The issue of accommodating and planning for future demographic patterns and Human Settlements through the SDF, taking into account the Economic Development prerogative of the Municipality becomes crucial across the ensuing MTREF.

Social Development

Mostly a provincial mandate in the form of ECD centres, nothing has been prioritised in 2020/21 for Saldanha Bay. In relation to municipal expenditure, SA 36 indicates the top 3 infrastructure projects for this specific area relating to the upgrade and maintenance of cemeteries. In relation to SEP-LG 2019 and the growing population numbers year-on-year, added strain on current resources and a surge in demand for social care is certain to heighten across the ensuing MTREF.

Human Settlements

The demand for housing is something that most municipalities grapple with the Housing function both a provincial and municipal mandate, albeit that municipalities use Human Settlements Development Grant. Housing delivery serves as driver of other investments i.e. new residential developments require roads, trading services, education and health.

The top 3 Provincial housing projects list as follows for 2020/21:

1. Vredenburg: George Kerridge South - 500 – UISP (R17.8 million)
2. Vredenburg: Louwville – 200 (R9.2 million)
3. St. Helena Bay - Laingville - 309 IRDP (R6.5 million)

In relation to the Municipality's capital expenditure allocations towards housing in 2020/21, BASIC SERVICES: George Kerridge Portable Toilets), R1.2 million is allocated towards this area. This is Responsive in that the Municipality fulfils its Basic Service delivery mandate to serve dwellings across the Municipality.

3.5.3 Trading Services Infrastructure Analysis

Waste Water Treatment and Waste Management infrastructure absorb the largest allocations across the Trading Services Capex allocations for 2020/21.

In relation to bulk infrastructure allocations for 2020/21, the top 3 projects as per SA36 lists as follows:

1. Vbg Landfil Site Extension-MIG) (R11.3 million)
2. Rerouting LBN WWTW effluent from MPA (R15.0 million)
3. Upgrade Langebaan Sewerage Works-ANN R16.0 million)

Water

The Municipality has displayed in its allocations in budget schedule A5 as well as throughout the IDP Review, the importance of directing funds towards water infrastructure (R52.4 million or 36.3 per cent of the trading services capital budget allocation for 2020/21) and drought resistant strategies. The prioritisation of water infrastructure has direct linkages to raising capacity in the agriculture, forestry and fishing sector is vital for employment prospects across the Municipality.

Furthermore, the Saldanha Bay Municipality service area is a water stressed area and funding for the provision of new water infrastructure is inadequate as per the provisions made in the IDP (Pg 177). As the demand for water is steadily outstripping supply, the Municipality faces a major impediment to growth and development in its challenge to provide water to households and local industries alike. Various industries have already indicated that will be a severe impact on production and possible job losses should high levels of restrictions be continued and imposed on industry.

Energy

The modest Capex allocations in 2020/21 towards Energy Sources (15.8 per cent of Total Trading Services allocations) is a cause for concern. Electricity revenue and municipal financial survival is closely linked in many South African municipalities, due to our particular history of municipalities operating as electricity distributors. Typically, 10 per cent of annual electricity revenue generated is fed into municipal coffers, subsidising a range of other important municipal services. In addition, revenue from 'high-end' users (larger residential and other consumers) is routinely used to cross

subsidise 'losses' from providing power to poor households which are not fully covered by the national Equitable Share grant. Therefore, the allocation of funds in this particular area of infrastructure has added importance given the positive externalities the provision of this public good has on the greater welfare and sustainability of the Municipality.

Municipality's Response: Director Engineering and Planning Services

- Energy
- The modest Capex allocations in 2020/21 towards Energy Sources (15.8 per cent of Total Trading Services allocations) is a cause for concern. Electricity revenue and municipal financial survival is closely linked in many South African municipalities, due to our particular history of municipalities operating as electricity distributors. Typically, 10 per cent of annual electricity revenue generated is fed into municipal coffers, subsidising a range of other important municipal services. In addition, revenue from 'high-end' users (larger residential and other consumers) is routinely used to cross subsidise 'losses' from providing power to poor households which are not fully covered by the national Equitable Share grant. Therefore, the allocation of funds in this particular area of infrastructure has added importance given the positive externalities the provision of this public good has on the greater welfare and sustainability of the Municipality.
- We do have a challenge that the "High-end" users is not sufficient to cross subsidise "losses" from providing power to poor households. The current NERSA tariff structure with Inclining Blocks gives the pricing signal to high end users to reduce energy consumption and promote them to find alternative energy sources. (Gas for cooking and Solar for water-heating. PV energy is also promoted by WCG.) This reduce the consumption in the higher tariff block and reduces the possibility for the cross subsidy.
- Currently we do have sufficient bulk capacity for the short/medium term and are working towards additional bulk internal capacity. The challenge is however the current Eskom situation and the possibility of Load Shedding again after the lockdown period. High end residential customers are partially moving away from electricity and industrial customer like Sea Harvest are installing energy efficient technology to reduce their demand. The other big consumer, the Weskus Mall, have installed a 1MVA rooftop PV generation to reduce their demand and consumption from the municipality.

Waste Water

Waste water remains an issue for the Saldanha Bay municipality as per the amended IDP. Notably, these challenges arise in the form of Hard and Soft Infrastructure. To this end, the Municipality has responded to the situation on the ground with an Capex allocation of R41.6 million in 2020/21 (or 29 per cent of Trading Services). This trend is mirrored across the MTREF with allocation of R42.5 million in 2021/22.

The following challenges (as per municipal IDP, Pg 184) are experienced with wastewater treatment:

- Sludge handling and sludge disposal is a problem experienced at most of the Waste Water Treatment plants. The Municipality are currently in the process of upgrading the plants, with specific focus on sludge handling facilities.
- Availability of skilled staff is also a problem.

- Within the Water and Sanitation department, qualified mechanical/electrical artisans will need to be employed to perform maintenance on all water, sewer and treatment equipment.
- Vandalism at specific plants and at critical pump stations is a major cause for concern.

The Municipality has prioritised a number of key projects across the MTREF in this regard with specific project and budget allocations noted in the Municipal IDP. Further, Budget Schedule SA36 has identified the following notable allocations for Waste Water Treatment in 2020/21, namely:

1. Upgrade Lbn Sewerage Works-ANN (R16.0 million)
2. Rerouting LBN WWTW effluent from MPA (R15.0 million)
3. Construct Olifantskop Swr P/Station And P/Line-CRR (R4.0 million)

Waste Management

As indicated above under the Waste Management analysis, the Langebaan Waste Disposal Facility (WDF) has reached capacity and the site serves as a transfer station for waste to be disposed of at the Vredenburg WDF. The Vredenburg WDF has reached capacity, but a new cell is currently being constructed. To this end, Waste management has received a notable allocation of R27.3 million which is responsive to the need of added infrastructure over the ensuing MTREF.

The population growth, as mentioned in the SEP-LG 2019, and the subsequent increase in new housing developments, increases the demand for basic services which necessitates the expansion of the bulk infrastructure network. Such expansions are however extremely capital intensive, meaning that less money will be available to maintain the current infrastructure network and to reduce backlogs. Less money will in turn be available to progressively roll-out services to informal settlements. Trading services (along with Road transport – R68.7 million) is allocated a large share of the municipal infrastructure allocations (as per Budget Schedule A5) with R144.2 million (55.4 per cent) of total capital expenditure for 2020/21. This is consistent with the Municipality's strategic objective relating to maintaining and expanding basic infrastructure as a catalyst for economic development. However, the 'smaller' allocations within Trading Service towards waste management and electricity across the MTREF period is slightly worrisome.

SECTION 4: FINANCIAL SUSTAINABILITY

4.1 REVIEW OF THE HISTORICAL INFORMATION

4.1.1 The Financial Health and Performance – year ended 30 June 2019

The assessment of the financial health and performance is an integrated process involving a review of a municipality's audited annual financial statements, audit report and ratio analysis. The results of the ratio analysis are used to support financial decisions and to identify factors which may influence the financial stability of the Municipality.

Adverse ratios highlight areas where attention may be required to ensure sustainability. The assessment analysis is based on the 2017, 2018 and 2019 audited financial statements in order to have a more solid context when looking at the 2020/21 budget.

The ratio analysis is conducted as per National Treasury MFMA Circular No. 71.

Note: The Municipality submitted the ratios as was requested by National Treasury. The Municipality made the necessary corrections where necessary and resubmitted the ratios to PT to be used in the compilation of this report.

Provincial Treasury has analysed these ratios and the following items are highlighted.

The Financial Performance as per the Audited Annual Financial Statements

Table 5 Financial ratios and norms

Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
Asset Management					
1.	Capital Expenditure to Total Expenditure: 10% - 20%	18.5%	19.8%	18.5%	A fluctuating trend is evident. The ratio results are within the acceptable norm for the period under review. This indicates that the Municipality has been making capital investments over the period under review.
2.	Capital Expenditure Budget Implementation Indicator: 95 - 100%	86.4%	74.6%	78.6%	A fluctuating trend is evident. The ratio results are below the acceptable norm for the period under review. The three largest capital projects contributing to the R49.2 million underspending are Langebaan Road Aquifer Well field 2, Vredenburg Landfill Site Extension and Laingville Upgrade Sludge Treatment Phase 4. The Municipality appears to consistently over-estimate their capital spending ability.
3.	Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value): 0%	0.0%	0.1%	0.5%	An increasing trend is evident. The ratio results are slightly above the acceptable norm for the period under review. Impairment of capital assets increased by 401% (R11.96 million) while the 3 classes of assets up by 3% (R83.8 million) from R2.71 billion to R2.79 billion.
4.	Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value): 8%	1.5%	1.7%	2.2%	An increasing trend is evident, however, the ratio results remain below the norm for the period under review. Repairs and maintenance increased by R13.6 million (29%) in the 2018/19 financial year, while the relevant asset bases increased by R83.7 million (3.5 per cent).

Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
5.	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure :(None)	79.8%	63%	73%	A fluctuating trend is evident. This is an indication that capital expenditure is partly funded through internally generated funds. The funding mix for the 2018/19 Capital expenditure of R237.4 million was as follows: 77.8 per cent internally generated funds; 0 per cent borrowings and 22.2 per cent capital grants.
6.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure: (None)	50.3%	56%	73%	An increasing trend is evident. This is an indication that capital expenditure is partly funded through internally generated funds.
Revenue, Debtors and Liquidity Management (cash availability)					
7.	Net debtors days: ≤ 30 days	47 days	47 days	49 days	An increasing trend is evident. The ratio results remain outside the acceptable norm for the period under review. To reduce this ratio result, the Municipality is already implementing alternative measures of collection such as deducting the outstanding debt from consumers whom are using prepaid electricity.
8.	Bad Debts Written-off as % of Provision for Bad Debt: 100%	25.7%	73.1%	373.8%	An increasing trend is evident. The ratio results are outside the acceptable norm for the period under review. The bad debts written off amount in this report includes receivables from exchange and non-exchange transactions. The largest contributor to the provision for the non-exchange transaction debtors is the provision for compulsory impairment on traffic fines in terms of iGRAP 1. The poor collection of outstanding traffic fines is a national phenomenon.
9.	Operating Revenue Budget: 95% - 100%	106.1%	101.0%	100.3%	A decreasing trend is evident. The ratio results, for the current year, is within the acceptable norm for the period under review. The Municipality is commended for their efforts in maintaining this ratio results for the 2017/18 and 2018/19 financial years.
10.	Service Charges and Property Rates Revenue Budget: 95% - 100%	101.5%	102.3%	101.2%	A fluctuating trend is evident. The ratio results, for the current year, is within the acceptable norm for the period under review. The Municipality is commended for their efforts in maintaining the ratio results across the 3 years under review.
11.	Revenue Growth (%) - Excluding capital grants: = CPI	20.3% 5.3%	9.6% 4.7%	1.1% 4.3%	A decreasing trend is evident. The ratio results, for the current year, is below the acceptable norm. It appears that the decrease in revenue growth mainly relates to the decrease in other income of 58.6 per cent.
12.	Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants): 1 - 3 months	9 months	9 months	8 months	A decreasing trend is evident. The ratio results are favourable and significantly above the acceptable norm for the period under review. Favourable ratio results indicates stability in the management of cash with the Municipality having sufficient cash resources to meet monthly operational costs.

Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
13.	Current Ratio: 1.5 - 2:1	3.6	3.5	3.5	A stable trend is evident. The ratio results are favourable and above the acceptable norm for the period under review. The Municipality presents a strong working capital position. However, effective cash management policies are critical to ensure effective management of resources.
Liability Management					
14.	Debt (Total Borrowings)/Revenue: 45%	17.3%	15.8%	14.2%	A decreasing trend is evident. The ratio results are within the acceptable norm for the period under review. This is an indication that the Municipality has the capacity to take up additional funding from borrowings if required.
15.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure: 6% - 8%	4.0%	3.7%	3.2%	A decreasing trend is evident. The ratio results are below 8% - within the acceptable norm. The ratio results further support the above ratio results.
16.	Creditors Payment Period (Trade Creditors): 30 days	47 days	54 days	43 days	A fluctuating trend is evident. The ratio results are above the acceptable norm for the period under review. An increase in contracted services amounting of R25.0 million, (36.3 per cent) and bulk purchases amounting to R21.4 million, (8.4 per cent), is noted in the 2018/19 financial year.
Expenditure Management					
17.	Operating Expenditure Budget: 95% - 100%	91.2%	91.9%	94.1%	An increasing trend is evident. The ratio results are below the acceptable norm for the period under review. The Municipality incurred less expenditure than anticipated for certain general ledger accounts. Reference is made to the Statement of Comparison of Budget and Actual Amounts.
18.	Remuneration as a % of Total Operating Expenditure: 25% - 40%	32.7%	33.9%	33.7%	A fluctuating trend is evident. The ratio results are within the acceptable norm.
19.	Contracted Services as a % of Total Operating Expenditure: 2% - 5%	6.1%	7.1%	9.0%	An increasing trend is evident. The ratio results are above the acceptable norm for the period under review. Consideration needs to be given to the implementation of mSCOA and the classification because of the chart changes over the period under review.
20.	Irregular, Fruitless and Wasteful and Unauthorised Expenditure/Total Operating Expenditure: 0%	0.0%	4.6%	1.1%	A fluctuating trend is evident. The ratio results are above the acceptable norm for the period under review. The Municipality is commended for decreasing this ratio in the 2018/19 financial year.
Grant Dependency					
21.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue): None	92.6%	91.3%	89.8%	A decreasing trend is evident. The Municipality displays a low reliance on grant funding, which speaks to the positive sustainability of the Municipality. The Municipality is commended for its revenue generation strategies that have been successfully implemented.

Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
Net Asset Position (Going Concern)					
22.	Total Liabilities to Total Assets: <50%	15.5%	15.4%	15.6%	This ratio results have remained stable over the period under review. This is a positive indication that the Municipality will continue to operate for the foreseeable future.

4.1.1 ASSET MANAGEMENT

● Capital Expenditure Budget Implementation Indicator:

This ratio indicates the Municipality planned to spend R302.1 million on capital expenditure for the 2018/19 financial year. The ratio results improved from 74.6 per cent to 78.6 per cent in the 2018/19 financial year. These ratio results may indicate discrepancies in planning, budgeting and capacity challenges to implement projects. Consideration needs to be given to the challenges the Municipality faced in spending their capital budget. The challenges indicated in the 2018/19 Draft Annual Report, include:

- Tenders had to be re-advertised due to disputes, omissions, delays in advertising of tenders.
- Work was further also delayed - public unrest caused buildings to be severely damaged.

● Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value):

The Municipality performed the impairment assessment in terms of GRAP 21 and 26. The ratio results increased from 0,1 per cent, in the 2017/18 financial year, to 0.5 per cent, in the 2018/19 financial year. The reason for the increase in impairment is because of certain infrastructure projects being halted or terminated due to the performance of service providers and certain assets were damaged during service delivery protests. The ratio results are just slightly above the acceptable norm however this implies that the utilisation of assets did not deliver the value or service levels envisaged.

● Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value):

This ratio measures the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. The ratio results improved from 1.7 per cent to 2.2 per cent in the 2018/19 financial year. During the 2018/19 financial year 72.5 per cent of repairs and maintenance related to contracted services, this amounts to R43.5 million. The impact of repairs and maintenance being below the norm, may result in the further increases in impairment of useful lives of property, plant and equipment and investment property over the MTREF period.

4.1.2 REVENUE, DEBTORS AND LIQUIDITY MANAGEMENT (CASH AVAILABILITY)

● Net debtors days:

This ratio is a good indication of the effectiveness of credit control procedures. The ratio result increased from 47 days to 49 days in the 2018/19 financial year. With ratio results above the acceptable norm, the Municipality may be exposed to cash flow risk. It is noted that cash/cost coverage ratio results are significantly higher than the acceptable norm and

therefore we do not believe a cash flow risk is present. Enforcement of the credit policy of the Municipality is critical to bring this ratio within the norm.

- **Bad Debts Written-off as % of Provision for Bad Debt:**

This ratio aims to ensure that the bad debts written off is sufficient to cover the bad debts provided for. There is a concern that the bad debts written off should not be compared against the current year's bad debts provision but against the prior year's provision. The ratio results declined from 73.1 per cent, the 2017/18 financial year to 73.8 per cent, in the 2018/19 financial year. It is noted that in the 2018/19 financial year that the bad debt written off of R37.6 million exceeding the provision amount indicates that debtors' debt relating to prior years, was only written off in the 2018/19 financial year. The credit control policy of the Municipality indicates that bad debts are only written off, once all possible measures to collect that debt, has been exhausted.

- **Revenue Growth (%) - Excluding capital grants:**

This ratio will assist in determining if the increase in expenditure will be funded by the increased revenue base or by some other means. This ratio declined by 8.5 per cent in the 2018/19 financial year. With the implementation of stage 6 water restrictions, in the municipal area, it is noted that higher water tariffs were charged however it is also noted that consumer usage may have decreased, because of this. This decrease in water usage will have an impact on overall revenue growth. Another factor affecting this ratio result for the 2018/19 financial year, is the decrease in other income, specifically developmental charges amounting to R34.5 million.

4.1.3 LIABILITY MANAGEMENT

- **Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure:**

This ratio indicates the cost required to service borrowings. The ratio has decreased from 3.7 per cent to 3.2 per cent in the 2018/19 financial year. The Municipality has not incurred any borrowings in the 2018/19 financial year, which impacts the result of this ratio and speaks to the decreasing trend being experienced. These results further support the debt/revenue ratio results highlighted above.

- **Creditors Payment Period (Trade Creditors):**

This ratio results may be an indication of instances of disputes, processing of payments or retentions taking place. The ratio results have improved from 54 days to 43 days in the 2018/19 financial year. The net debtor's day ratio results have an impact on the adequacy of managing working capital and in turn can impact this ratio result. The Municipality has indicated that extensive effects have been made and continue to be made, to ensure that trade creditors are paid within 30 days, as this is an MFMA requirement.

4.1.4 EXPENDITURE MANAGEMENT

● Operating Expenditure Budget:

This ratio assesses whether the Municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. The ratio result has improved from 91.1 per cent, in the 2017/18 financial year, to 94.1 per cent, in the 2018/19 financial year. As indicated in Note 61.1 of the 2018/19 AFS, contracted services and general expenses were lower than budgeted for by 13 and 19 per cent respectively. The Municipality is on the right track to achieving the acceptable norm.

● Contracted Services as a % of Total Operating Expenditure

This ratio results have increased from 7.1 per cent, in the 2017/18 financial year, to 9.0 per cent, in the 2018/19 financial year. With the introduction of mSCOA, the classification of certain expenses previously classified as "General Expenses" is now classified as "Contract Services". Consideration should be given to increasing this ratio norm, as a result, of mSCOA implementation.

● Irregular, Fruitless and Wasteful and Unauthorised Expenditure/Total Operating Expenditure

The ratio result has improved from 4.6 per cent to 1.1 per cent in the 2018/19 financial year. This ratio result is mainly because of irregular expenditure being incurred, in the 2018/19 financial year amounting to R10.93 million. The largest contributor to this amount is non-compliance to section 67(1) of the Municipal Systems Act. The Municipality is commended for the improvements made to this ratio result.

Deficiencies in the municipalities recruitment and appointment process was identified that led to irregular expenditure incurred as disclosed in the notes to the Municipality's financial statements.

Summary and recommendations

- The Asset Management ratio results overall are being well maintained, further consideration to improve the capital spending budget and levels of repairs and maintenance to be within the acceptable norm should be exercised over the MTREF.
- Revenue, Debtors and Liquidity Management ratio results overall are being well maintained however the Municipality should continue to enforce their credit control policies and revenue enhancement strategies.
- Liability Management ratio results overall are good, with the Municipality exercising caution in taking up borrowings. The Municipality needs to ensure that creditors are paid within the MFMA requirements.
- Expenditure Management ratio results overall are being well monitored with minimal irregular, fruitless and wasteful expenditure being incurred in the 2018/19 financial year.

Municipal response: Chief Financial Officer

Noted. Currently we are doing a large portion of maintenance in-house and the labor component is therefore not included in the maintenance figure.

4.2 CREDIBILITY OF FUNDED BUDGET

4.2.1 Observations on the Current Financial Year

Table 6 Budgeted Performance against Audited Performance and current year

R thousands	Adjusted Budget	Audited Outcome	Diff %	Adjusted Budget	Audited Outcome	Diff %	Original Budget	Adjusted Budget	Diff %
Description	2017/18	2017/18	2017/18	2018/19	2018/19	2018/19	2019/20	2019/20	2019/20
Financial Performance									
Property rates	201,849	192,547	-4.61%	213,143	209,068	-1.91%	226,720	226,720	0.00%
Service charges	569,801	595,859	4.57%	599,251	613,160	2.32%	682,680	682,680	0.00%
Investment revenue	44,442	48,222	8.51%	50,976	50,425	-1.08%	47,609	47,609	0.00%
Transfers recognised - operational	86,117	84,940	-1.37%	97,196	109,765	12.93%	102,096	104,814	2.66%
Other own revenue	90,850	133,838	47.32%	105,571	91,349	-13.47%	96,943	75,816	-21.79%
Total Revenue (excl. capital transfers and contributions)	993,059	1,055,405	6.28%	1,066,136	1,073,767	0.72%	1,156,048	1,137,640	-1.59%
Employee costs	331,548	316,016	-4.68%	364,758	340,386	-6.68%	406,131	406,131	0.00%
Remuneration of councillors	11,490	11,389	-0.87%	12,154	11,833	-2.64%	13,126	13,126	0.00%
Depreciation & asset impairment	136,124	127,903	-6.04%	140,762	136,395	-3.10%	141,215	141,215	0.00%
Finance charges	23,079	34,947	51.43%	23,978	34,801	45.14%	28,494	22,852	-19.80%
Materials and bulk purchases	342,433	284,321	-16.97%	354,474	305,075	-13.94%	376,084	372,967	-0.83%
Transfers and grants	3,971	3,411	-14.10%	3,259	3,480	6.80%	4,302	4,602	6.96%
Other expenditure	203,459	178,456	-12.29%	229,412	212,434	-7.40%	246,271	244,191	-0.84%
Total Expenditure	1,052,103	956,443	-9.09%	1,128,796	1,044,405	-7.48%	1,215,624	1,205,085	-0.87%
Surplus/(Deficit)	(59,044)	98,963	-267.61%	(62,660)	29,362	-146.86%	(59,576)	(67,445)	13.21%
Transfers recognised - capital	69,954	52,471	-24.99%	74,137	50,166	-32.33%	31,071	55,153	77.51%
Contributions recognised - capital & contributed a	34,607	-	-100.00%	4,273	1,539	-63.99%	2,773	2,138	-22.92%
Surplus/(Deficit) after capital transfers & contributions	45,516	151,434	232.70%	15,750	81,067	414.69%	(25,732)	(10,154)	-60.54%
Share of surplus/ (deficit) of associate	-	-	#DIV/0!	-	-	#DIV/0!	-	-	#DIV/0!
Surplus/(Deficit) for the year	45,516	151,434	232.70%	15,750	81,067	414.69%	(25,732)	(10,154)	-60.54%
Capital expenditure & funds sources									
Capital expenditure	319,470	238,421	-25.37%	309,726	237,399	-23.35%	323,720	306,558	-5.30%
Transfers recognised - capital	67,498	79,331	17.53%	75,637	47,862	-36.72%	33,844	56,791	67.80%
Public contributions & donations	33,627	-	-100.00%	-	-	#DIV/0!	-	-	#DIV/0!
Borrowing	38,794	30,211	-22.12%	11,935	10,700	-10.34%	56,504	35,848	-36.56%
Internally generated funds	179,551	128,879	-28.22%	222,154	178,837	-19.50%	233,373	213,919	-8.34%
Total sources of capital funds	319,470	238,421	-25.37%	309,726	237,399	-23.35%	323,720	306,558	-5.30%

Historical trends based on the three previous audited years, indicates the Municipality can implement its proposed budget. The majority of its actual performance of the operating revenue items in overall were about 99 per cent in 2018/19 and 94 per cent in 2017/18.

The operating expenditure trends indicate a satisfactory performance for most items. There were minor under performance on cot of employee costs and material and bulk purchases, the overall underperformance were about 8 per cent in 2018/19 and 9 per cent in 2017/18. This clearly indicates that municipality has budgeted conservatively for its operating expenditure.

The Municipality's capital expenditure budget shows a slight decline in percentage but it is more or less the same amount in value over the past two financial years based on the past audit results. For the two audited financial years the Municipality spent 74 per cent in 2017/18 and 77 per cent in 2018/19.

The trend of underspending is likely to continue if based on the current in-year performance considering that the Municipality spent R94.7 million or 30.9 per cent of the adjusted capital budget at the end of February 2020.

For the period ending 29 February 2020, the operating expenditure amount to R697.89 million or 57.9 per cent against the adjustment budget, while operating revenue amount to R728.05 million or 64.4 per cent against the adjustment budget. The year-to-date budget for operating revenue amount to R758.43 million.

In view of the above it is recommended that the Municipality consider current and past spending trends when setting the baseline which will therefore have an impact on future budgetary provisions and the credibility of the budget.

Municipal response: Chief Financial Officer

Noted

4.3 REVIEW OF THE NEW (2020/21) MTREF

Table 7 Budget Assumptions

No.	Description of the Budget Assumptions
1.	The average estimated CPIX used for the determination of rates and tariffs increases in the operating revenue for 2020/21 is 4.5% and both for 2021/22 and 2022/23 is 4.6%. This is was informed by the MFMA Budget Circular No. 99.
2.	The general CPIX rates that was used, for the operating expenses for 2020/21 is 4.9%, for 2021/22 is 4.9% and for 2022/23 is. All expenditure type however do not increase with the same percentage points.
3.	Collection rate of 96%
4.	Cost Reflective Rates and Tariffs used for compiling the MTREF budget
	Expected water sales decline due to closure of Saldanha Steel.
5.	A 3-year Salary and Wage Collective Agreement, was implemented from 1 July 2018. In terms of the collective agreement reached employee cost for 2020/21 is based on an estimated CPIX of 5.1% (minimum of 5%) plus 1.25% (6.35%), plus notch increases of 1.15%, totalling an 7.5% increase. The outer years are budgeted at 7%.
6.	Five new funded positions were provided in the salary budget. Ten of the temporary cleaning positions will be made permanent from 1 July 2020. Estimated Budget of R3.3 million is made available.
7.	Departments were required to budget in terms of general cost containment measures. Due to cost containment measures and to absorb the loss in revenue with the closing of Saldanha Steel the items other materials, contracted service and other expenditure in general reduced that also result in a reduction of Repairs and maintenance in 2020/21.

No.	Description of the Budget Assumptions																																																						
8.	An increase of 5.4% was provided for the bulk water purchases tariff, but less bulk purchases budgeted in total due to closing of Saldanha Steel. An increase of 10% was provide for the bulk electricity purchases annually over the MTREF. NERSA still determine the increase for 2021																																																						
9.	Cash-back depreciation (growth contributor for CRR) of 2020/21 R50 million, 2021/22 R56 million and 2022/23 R259 million is budgeted. Additional transfer from accumulated surplus to CRR for 2020/21 R45 million, 2021/22 R45 million and 2022/23 R23 million per year will be transferred to new municipal building reserve, provided that the cash surplus realises. Annual development charges (growth contributor for CRR) of R11 million 2020/21, R12 million 2021/22 and R13 million for 2022/23 budgeted.																																																						
10.	Repayments of surplus water on water service from WCDM as growth contributor to CRR of R12 million 2020/21 and R10 million for the two outer years is budgeted. Capital budget funding source from CRR is limited to R283 million over 3 year MTREF.																																																						
11.	External loans of R191.2 million to partial fund the MTREF capital budgets and R7.5 million provided for ward based specific capital projects for 2020/21. A 10-year capital budget was prepared and included in the agenda. Council on approved the 3 year MTREF budget. Capital budget over the 3-year period is R617 million and over 7-year period until (2029/30) is R1.21 billion																																																						
12.	The Municipality intend to raise external borrowings to the amount of R167.83 million which include roll-over loans of R 2 47 million from 2018/19.																																																						
13.	The Western Cape Provincial Government will over the next 3 years invest capital projects to the value of R322 million in the Saldanha Bay municipal area																																																						
14.	Electricity Tariff increases budgeted to be 10% over the MTREF period of 2020/21 to 2022/23 till NERSA pronouncement. The bulk purchases increase of 10% for 2020/21 budget year. Bulk water purchases is provided to increase by 5.4% in 2020/21.																																																						
15.	<table><tr><th></th><th>2016/17</th><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>2020/21</th></tr><tr><td>Property rates</td><td>5%</td><td>6.5%</td><td>6.5%</td><td>6.2%</td><td>4.5%</td></tr><tr><td>Property rates - Vacant erven</td><td>5%</td><td>6.5%</td><td>6.5%</td><td>20%</td><td>10%</td></tr><tr><td>Electricity</td><td>7.6%</td><td>2.0%</td><td>6.8%</td><td>13.8%</td><td>10%</td></tr><tr><td>Water - Consumption</td><td>6%</td><td>7.0%</td><td>21%</td><td>5.8%</td><td>4.5%</td></tr><tr><td>Water - Basic and availability fees</td><td>6%</td><td>7.0%</td><td>80%</td><td>5.2%</td><td>4.5%</td></tr><tr><td>Refuse</td><td>12%</td><td>8.0%</td><td>10%</td><td>5.2%</td><td>4.5%</td></tr><tr><td>Sewerage</td><td>7%</td><td>8.0%</td><td>10%</td><td>15%</td><td>15%</td></tr><tr><td>Sundry tariffs</td><td>6%</td><td>10.0%</td><td>10%</td><td>5.2%</td><td>Various</td></tr></table>		2016/17	2017/18	2018/19	2019/20	2020/21	Property rates	5%	6.5%	6.5%	6.2%	4.5%	Property rates - Vacant erven	5%	6.5%	6.5%	20%	10%	Electricity	7.6%	2.0%	6.8%	13.8%	10%	Water - Consumption	6%	7.0%	21%	5.8%	4.5%	Water - Basic and availability fees	6%	7.0%	80%	5.2%	4.5%	Refuse	12%	8.0%	10%	5.2%	4.5%	Sewerage	7%	8.0%	10%	15%	15%	Sundry tariffs	6%	10.0%	10%	5.2%	Various
	2016/17	2017/18	2018/19	2019/20	2020/21																																																		
Property rates	5%	6.5%	6.5%	6.2%	4.5%																																																		
Property rates - Vacant erven	5%	6.5%	6.5%	20%	10%																																																		
Electricity	7.6%	2.0%	6.8%	13.8%	10%																																																		
Water - Consumption	6%	7.0%	21%	5.8%	4.5%																																																		
Water - Basic and availability fees	6%	7.0%	80%	5.2%	4.5%																																																		
Refuse	12%	8.0%	10%	5.2%	4.5%																																																		
Sewerage	7%	8.0%	10%	15%	15%																																																		
Sundry tariffs	6%	10.0%	10%	5.2%	Various																																																		
16.	The budget for Repairs and maintenance for 2020/21, 2021/22 and 2022/23 is R66 million, R70 million and R73 million respectively.																																																						

Response by Municipality: Director Engineering and Planning Services

NERSA have closed their operations during the lockdown period. At this stage it leaves us with no guidance. Just before the lockdown period NERSA did send out draft Tariff increase guidelines for comments. These guidelines differed completely from the previous years. Our comments indicated that the guidelines is based on the Eskom tariff structure and not the same structure as previous years. It is therefore not possible to compare with previous years and have an indication of the benchmarks of the current municipal tariffs.

The method of calculating the benchmark average tariff increase is based on different cost factors as previously. As example previously NERSA worked on Salaries contributing towards 10% of the total electricity costs. The draft guidelines now indicate Salaries as only contributing towards 4%.

With an expected NERSA Guideline increase of about 6.24% we might not be able to run as a sustainable trading service.

The performance of the economy is a key backdrop to medium term expenditure planning and the review of the Municipality's budget report, reflects that the Municipality considered global, regional and local economic factors.

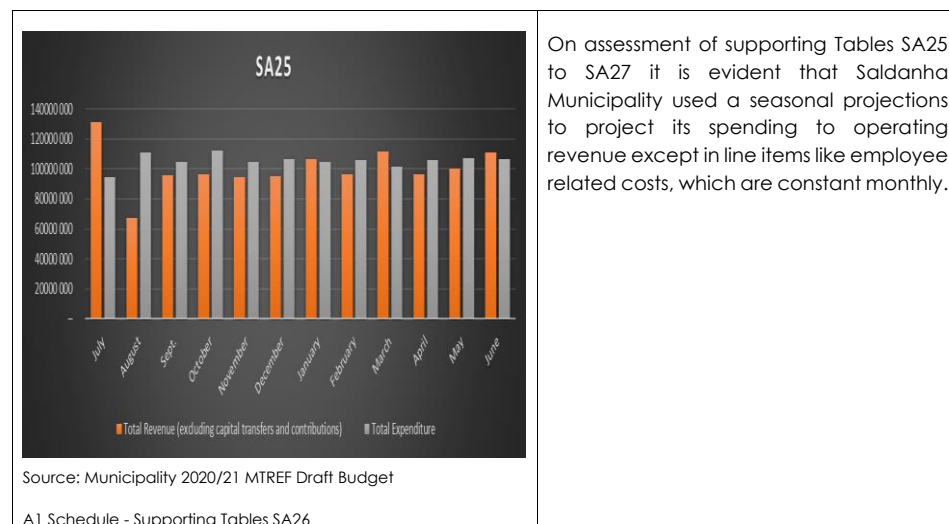
The revenue base of the Municipality is made up by several industries, business sectors and domestic households and careful consideration be given to expenditure pressures (with increasing demographics and ability of consumers to pay for services) especially in the context of afore-mentioned external challenges facing all Municipalities including Saldanha. Affordability is particularly critical in low- and middle-income communities, with a presence of informal settlements.

The Municipality incorporated in its budget document the Whole of Society Approach (WOSA) that was established in 2018 of which a strategic partner is the Saldanha Bay Industrial Development Zone (SBIDZ). The budget document further mentioned the Long-Term Financial Plan however the Municipality is hereby encouraged to include key financial indicators underpinning the achievement of these strategic focus areas i.e. a stronger policy coherence finding expression in resource allocation and service delivery impact on citizens.

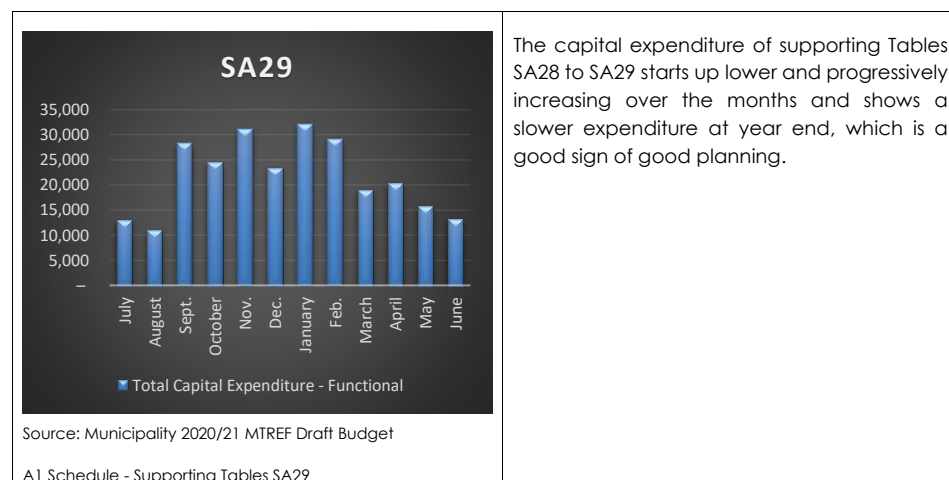
The overall budget assumptions are credible, reasonable and aligned to National Treasury guidelines however, the following needs to be considered with the finalisation of the annual budget for adoption except for increases above inflation rate.

4.3.1 Forecasting and Multi-Year Budgeting

Graph 1 Forecasting and Multi-Year Budgeting



Graph: 2 Monthly Capital Budgeting



Source: Saldanha Municipality Budget Document 2020/21

4.3.2 Operating Revenue Budget

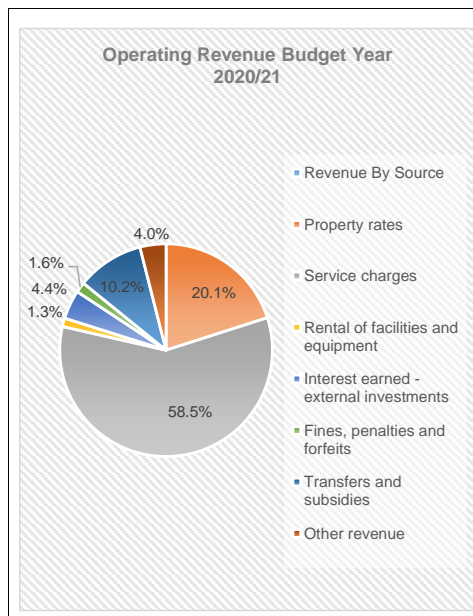
Table 8 Operating Revenue Budget:

Description R thousand	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	February 2020	Budget Year 2020/21	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source									
Property rates	185 482	192 547	209 068	226 720	226 720	156 442	241 301	253 366	265 528
Service charges - electricity revenue	294 354	295 605	297 725	359 090	359 090	214 086	395 000	434 501	477 951
Service charges - water revenue	131 731	178 670	178 263	175 730	175 730	107 705	145 580	152 760	159 996
Service charges - sanitation revenue	54 355	57 177	64 894	72 323	72 323	48 633	83 172	95 649	109 996
Service charges - refuse revenue	54 966	65 071	72 278	75 537	75 537	49 366	79 763	83 751	87 771
Rental of facilities and equipment	15 573	15 713	13 931	17 291	14 841	10 636	15 447	16 220	17 031
Interest earned - external investments	44 709	48 222	50 425	47 609	47 609	32 625	52 895	57 154	61 758
Interest earned - outstanding debtors	11 527	12 753	10 199	13 776	13 776	9 571	14 466	15 190	15 919
Dividends received	—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits	33 676	33 637	22 954	33 699	18 864	12 322	18 930	19 877	20 831
Licences and permits	1 319	1 625	1 783	1 414	1 414	857	1 981	2 080	2 180
Agency services	4 952	5 756	6 571	6 347	6 347	5 038	7 300	7 665	8 033
Transfers and subsidies	74 646	91 577	109 765	102 096	104 814	74 867	122 634	145 899	140 360
Other revenue	65 462	58 162	31 681	24 416	20 574	5 901	23 871	25 035	26 207
Gains on disposal of PPE	—	8 739	4 230	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)	972 752	1 065 254	1 073 767	1 156 048	1 137 640	728 049	1 202 341	1 309 146	1 393 561

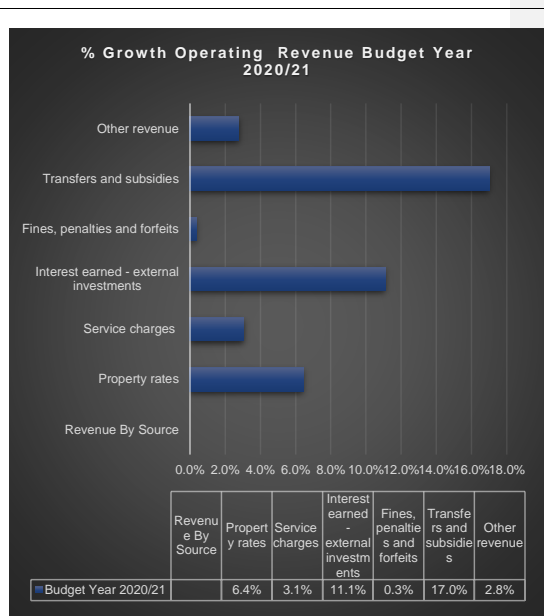
The Municipality tabled operational deficit budgets over 2020/21 MTREF. The operational income showed a growing trend throughout the MTREF period. The persistent deficits over the MTREF period, clearly demonstrate that the Municipality will not be able to have more contributions to cash backed reserves and more contributions to internal funds towards capital spending, this will affect the Municipality's future sustainability and trigger future possible financial risks. The Municipality is encouraged to continue implement strategies that will yield towards a more sustainable financial position and continuous improvements in the quality of services delivered to its community over a longer term.

Saldanha Municipality anticipates to realise an aggregate increase in operating revenue of 7.0 per cent for the entire 2020/21 to 2022/23 MTREF budget. For the 2020/21, the Municipality derives most of its operational revenue from its service charges (58.5 per cent of total revenue) i.e. provision of services such as water, electricity, sanitation and solid waste removal. Property Rates (20.1 per cent), Transfers & Subsidies (10.2 per cent), Investment revenue (4.4 per cent), fines (1.6 per cent), and other own revenue (minor charges i.e. building plan fees, licences and permits etc.) (5.2 per cent) forms part of the 2020/21 operating revenue framework. The Municipality must in a quarterly basis submit a reconciliation of its General Valuation Roll compared to the information contained in the financial systems and with the deeds Register to the National and Provincial Treasury.

Graph 3: Operating Revenue sources



Graph 4: Revenue source growth



Source: Saldanha Municipality 2020/21 MTREF Budget A1-Schedules

Electricity revenue represents 32.9 per cent of total revenue and is the most significant source of revenue on the operating revenue budget and amounts to R395.00 million and yielding an increase of 10.0 per cent in 2020/21 and the outer years. The Municipality increased the tariff on the interim based on estimation of 13.8 per cent as NERSA did not publish the municipal tariff guideline by the time the draft budget was finalised. Electricity losses amount to R25.21 million or 10.6 per cent which is above the national norm and standards.

Municipality response: Director Engineering and Planning Services

Electricity Losses

The total energy losses is higher than the benchmark. NERSA refer to Technical Losses in the draft Guideline.

As part of our Masterplan we did a simulation on Technical losses. The result indicated Technical Losses as 7.96% and non-technical losses as 3.82%. Total losses 11.78 % based on the 2018/19 information.

We will have to do a full meter Audit with the TID Pre-paid rollover correction in the 2021/22 financial year.

Water revenue represents 12.1 per cent of total revenue and is the second highest revenue source and amounts to R145.58 million and yielding a decrease of 17.2 per cent in 2020/21 budget, an

increase of 4.9 per cent in 2021/22 and an increase of 4.7 per cent in 2022/23. The Municipality is increasing its water tariffs for both consumptions and basic and availability charges 4.5 per cent. The imposing of restriction tariffs and the risk of inadequate water supply may have permanently affected the demand patterns as large industries like Sea Harvest, developed desalination plants which can have an impact on the water revenue and affordability of the service on residential consumers. In view of the aforementioned the Municipality is urged to continue to apply fiscal discipline and it should be noted tariff modelling link to a long term financial plan is crucial in realising the desired levels of revenue also further consolidation are needed for maximum citizen impact.

The highest long outstanding debt (over 90 days) by service is water which amount to R5.85 million or 9.4 per cent. Lower rate for the collection of water revenue is expected hence the Municipality should strictly apply its Credit Control and debt collection strategy and consider innovative measures like prepaid water meters and water management devices to curb the upward spiral of outstanding debt.

Slow capital spending has an impact on the operating revenue budget as it results in a delay on return on the increased infrastructure investment and it should be noted that development is inextricably linked to adequate water supply.

The **waste water revenue** represents 6.9 per cent of total revenue and amounts to R83.17 million and yielding an increase of 15.0 per cent for the entire 2020/21 to 2022/23 MTREF budget, an increase of 4.9 per cent in 2021/22 and an increase of 4.7 per cent in 2022/23, similarly to the 15.0 per cent tariff increase for sanitation. The tariff increase of 15 per cent is above the CPIX projection, although this tariff is intended to recover the cost of rendering the service and break-even as per the funding and reserve policy of the Municipality. The Municipality is making surpluses on this service and should endeavour to ring-fence in view of an increase industrial demand. It is recommended that a balance be strike by the Municipality between competing goals of the affordability, economic growth, the environment and the financial sustainability of the service over the medium to long term.

Refuse removal represents 6.6 per cent of total revenue and amounts to R79.8 million, this service is anticipating to increase by 5.6 per cent in 2020/21, in 2021/22 by 5 per cent and in 2022/23 by 4.8 per cent, despite the tariff increase of 4.5 per cent. The service surplus margins are showing an increasing trend and the Municipality makes provision for the rehabilitation of landfill sites which is commendable.

Long overdue debtors are on an increasing trend and for the period ending February 2020 the year-on-year increase for debtors over 90 days is R12.43 million or 7.9 per cent (2018/19: R22.03 million or 16.2 per cent). The growing trends of debtors have a huge impact in the Municipality's revenue and any non-recoveries will have an adverse consequence on revenue generation for future sustainability and funding of the projects and service delivery.

MFMA Circular No. 89 remind municipalities with the increase in unemployment, low economic growth and increase in the number of households, revenue forgone will surge and become difficult to collect revenue especially from indigent households. Therefore, the Municipality must stringently apply its Credit Control and debt collection strategy and indigent management.

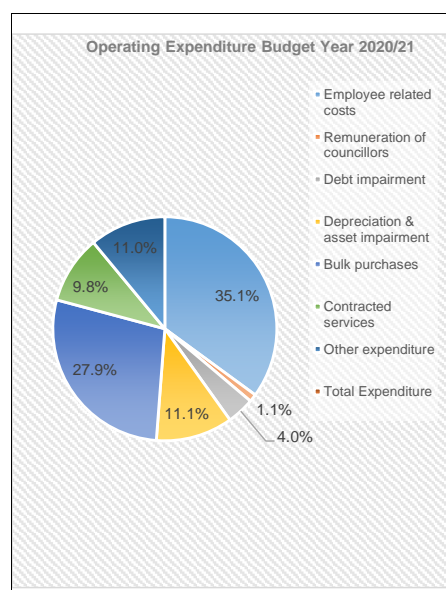
4.3.3 Operating Expenditure Budget

Budget narrative relevant to the operating expenditure budget should include the following:

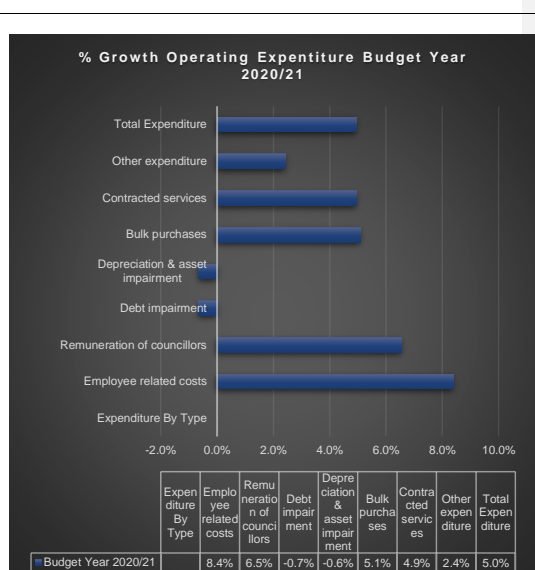
Table 9 Operating Expenditure Budget

Description R thousand	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	February 2020	Budget Year 2020/21	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type									
Employee related costs	279 268	316 024	340 386	406 131	406 131	255 997	443 329	473 796	508 749
Remuneration of councillors	10 330	11 393	11 833	13 126	13 126	7 930	14 045	15 098	16 231
Debt impairment	47 677	71 901	62 573	59 159	50 437	30 567	50 107	52 512	55 033
Depreciation & asset impairment	120 096	125 292	136 395	141 215	141 215	88 434	140 308	147 049	154 107
Finance charges	28 028	35 087	34 801	28 494	22 852	15 177	26 956	32 833	39 987
Bulk purchases	270 464	254 272	275 684	335 422	335 422	195 435	353 415	385 376	420 372
Other materials	–	30 073	29 391	40 662	37 545	21 395	35 291	36 332	38 076
Contracted services	54 323	68 944	93 952	112 799	118 169	44 478	124 322	144 533	133 844
Transfers and subsidies	3 073	3 411	3 480	4 302	4 602	2 203	6 210	5 578	5 750
Other expenditure	73 840	50 782	55 481	74 313	75 584	36 092	70 798	74 122	77 799
Loss on disposal of PPE	–	1 012	428	–	–	186	–	–	–
Total Expenditure	887 098	968 189	1 044 405	1 215 624	1 205 085	697 894	1 264 782	1 367 231	1 449 947

Graph 5: Operating Expenditure sources



Graph 6: Expenditure source growth



Source: Saldanha Municipality 2020/21 MTREF Budget A1-Schedules

Employee related costs amount to 35.1 per cent (2019/20: 33.4 per cent) of the operating budget and increase by 11.3 per cent to R406.13 million. A 3-year collective agreement was implemented 1 July 2018, which amounted to 8 per cent. The wage bill is within National norms of 25 - 40 per cent as per MFMA Circular No. 71 however the Municipality set an affordable limit in the Budget, Funding and Reserve policy on this measurement of 35 per cent and with above inflationary increases the wage bill is on the policy upper limit.

In view of the current revenue projections and economic outlook, the Municipality is hereby encouraged to manage effectively the human resource requirements to deliver on its mandate by prioritising only critical vacancies, avoid excessive overtime and optimising existing staff complement by limiting use of consultants.

Bulk purchases amount to R353.42 million or 27.9 per cent of the total expenditure budget of which electricity purchases constitute 8.1 per cent thereof. The year-on-year increase is 5.1 per cent. It is further recommended that the Municipality revise the bulk purchases of electricity upwards as per the retail tariffs for municipalities as approved by NERSA.

Municipal response: Chief Financial Officer

Noted. Bulk electricity budgeted to increase with 9.9%. Will be adjusted with Adjustments budget in 2020/2021.

Municipal response: Director Engineering and Planning Services

The revision of the bulk tariffs will be addressed after the full implementation of the Domestic tariffs that are currently being phased in.

Depreciation and asset impairment is projected to decrease of 0.6 per cent or R140.31 million for the 2020/21 budget and increasing by 4.6 per cent for both 2021/22 and 2022/23 budget year. Even the previous financial years has proven that the depreciation and asset impairment has always been increasing. Cognisance must be taken of current work-in-progress capital that will be commissioned and planned capital expenditure when setting budget projections. Further considerations should be given to include in the funding and reserve policy ring fencing of Capital Replacement Reserves as a measure of providing for future capital expenditure as advised in the NT MFMA Circular No. 58. The Municipality should relook at the projections for depreciation and asset impairment for 2020/21 budget year.

Municipal response: Chief Financial Officer

Noted. Depreciation is impacted by capital expenditure and has been budgeted as accurate as possible.

Contracted Services is projected to increase by 4.9 per cent or R124.32 million for the 2020/21 budget and further increase by 14.0 per cent in 2021/22 and a decrease in 2022/23 by 8.0 per cent. This line item expenditure represents 9.8 per cent to the total operating expenditure.

Repairs and maintenance as a percentage of the asset value of property plant and equipment amounts to an average of 2.2 per cent (2019/20: 2.4%) over the MTREF which is well below the 8 per cent as recommended by National Treasury. Repairs and maintenance as a percentage of operating expenditure amounts to 6 per cent which is also below the Municipality policy limit of

8 per cent. In terms of MFMA Circular 66 the Municipality must provide a detail explanation on assurance that the budgeted amount is adequate to secure ongoing health of the Municipality's infrastructure, if repairs and maintenance is below the national norm. It is recommended that the motivation should include a risk based maintenance strategy or system to proactively maintain at the least critical service delivery infrastructure and in order to identify and prevent repeat or systemic failures, especially those that can result in high cost and or sever impact on core service delivery.

Water and Electricity losses for the 2018/19 financial year, as a result of metering inefficiencies, ageing infrastructure, old reticulation networks etc., amounted to R47.24 million (2017/18: R32.72 million) which is material and should be address through the repairs and maintenance strategy.

Municipal response: Chief Financial Officer

Noted. The history proved that the municipality always had a huge saving on repairs and maintenance. The policy stipulates in paragraph that 3.18. that "The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its asset management and accounting policy. The municipality shall endeavor to provide sufficient for repair and maintenance in the operating budget component of each annual and adjustments budget shall be set aside for such maintenance but strive to reach the target of 8% of total operating expenditure."

4.3.4 Capital Budget

Table 10 Budget narrative relevant to the capital budget should include the following:

Vote Description R thousand	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	February 2019	Budget Year 2020/21	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Standard										
Governance and administration	30 293	13 501	19 791	30 965	44 649	44 649	10 248	15 823	16 902	15 329
Executive and council	—	—	—	—	—	—	—	25	—	—
Finance and administration	30 293	13 501	19 791	30 965	44 649	44 649	10 248	15 798	16 902	15 329
Internal audit	—	—	—	—	—	—	—	—	—	—
Community and public safety	59 135	24 555	39 260	27 526	31 908	31 908	4 549	25 615	10 753	8 670
Community and social services	33 035	15 568	1 689	1 835	1 500	1 500	204	1 596	2 113	3 250
Sport and recreation	23 383	5 760	7 070	13 641	15 715	15 715	3 180	14 700	8 330	3 820
Public safety	2 717	3 227	286	9 700	6 431	6 431	1 100	8 062	300	700
Housing	—	—	30 216	2 350	8 262	8 262	64	1 257	10	900
Health	—	—	—	—	—	—	—	—	—	—
Economic and environmental services	38 154	42 115	52 666	62 946	61 258	61 258	24 096	74 472	53 217	50 863
Planning and development	4 778	2 048	8 023	5 299	9 290	9 290	336	5 400	3 755	2 056
Road transport	33 376	40 066	43 942	57 647	51 968	51 968	23 760	68 724	49 105	46 962
Environmental protection	—	—	701	—	—	—	—	348	357	1 845
Trading services	115 867	158 250	125 683	202 283	168 743	168 743	55 901	144 287	116 292	84 300
Energy sources	26 738	20 487	16 750	24 254	17 704	17 704	5 822	22 850	29 553	33 508
Water management	6 943	81 037	73 803	78 839	54 461	54 461	10 731	52 427	31 750	33 426
Waste water management	75 578	32 777	19 156	50 894	38 238	38 238	8 957	41 644	42 503	13 656
Waste management	6 609	23 950	15 974	48 297	58 341	58 341	30 391	27 367	12 487	3 710
Other	—	—	—	—	—	—	—	—	—	—
Total Capital Expenditure - Standard	243 449	238 421	237 399	323 720	306 558	306 558	94 793	260 198	197 163	159 162
Funded by:										
National Government	16 842	16 163	1 406	21 444	29 466	29 466	21 343	23 345	21 620	23 552
Provincial Government	17 479	29 875	44 916	9 626	25 687	25 687	158	31 087	9 280	25 633
District Municipality	—	—	—	—	—	—	—	—	—	—
Other transfers and grants	48 869	33 293	1 539	2 773	1 638	1 638	64	—	—	—
Transfers recognised - capital	83 190	79 331	47 862	33 844	56 791	56 791	21 565	54 432	30 900	49 186
Borrowing	59 226	30 211	10 700	56 504	35 848	35 848	5 228	71 301	80 235	47 450
Internally generated funds	101 033	128 879	178 837	233 373	213 919	213 919	68 000	134 464	86 028	62 527
Total Capital Funding	243 449	238 421	237 399	323 720	306 558	306 558	94 793	260 198	197 163	159 162

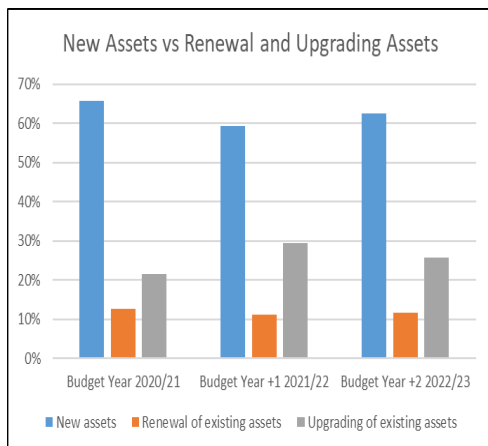
The capital budget will amount to R617 million over the MTREF of which R260.20 million is projected to be spend in the 2020/21 financial year. The Municipality has projected to mostly fund its capital project from the CRR 48.2 per cent, grants at 39.6 per cent and CRR at 11.6 per cent, the Municipality is commended for the balanced funding mix. The Municipality's capital budget is reduce by 15.1 per cent in 2020/21; 24.2 per cent in 2021/22 and 19.3 per cent in 2022/23 MTREF budget. This is of great concern seeing that the capital projects or infrastructure are diminishing over the MTREF implying that the Municipality is investing lesser to its capital development and this might have adverse consequences in the future capital investment and ageing infrastructure.

The historic spending of the capital budget measured against the main mid-year adjusted budget for the past three years' were slightly low. The current spending for the period ending 28 February 2020 is low at R94.8 million or 30.9 per cent of the adjustment budget of R306.56 million.

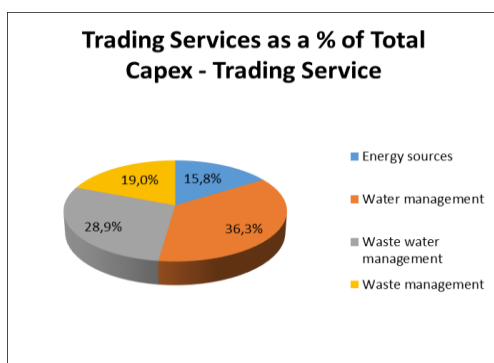
Provincial Treasury would hereby encourage the Municipality to continuously monitor the implementation strategies with the management of capital budget and apply project management principles to adhere to the submitted procurement plan.

Municipal response: Chief Financial Officer

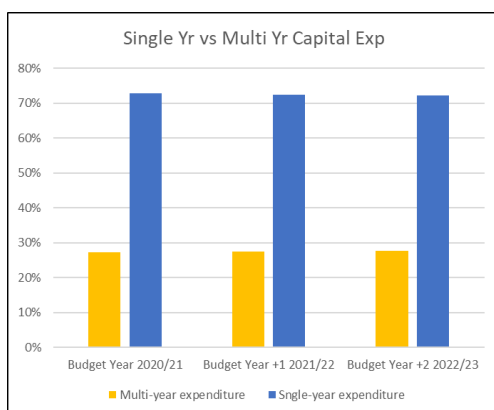
Noted. The capital budgets reduce over MTREF due to funding limitations.



The allocated budget to secure the on-going health of the Municipality's infrastructure and reflects on average 37. per cent for renewal and upgrading of assets over the MTREF. Notwithstanding Repairs and Maintenance which is well below the 8 per cent national norm, Renewal and Upgrading of Existing Assets as a total of capital expenditure are below the norm of 40 per cent in and on a downward trajectory. This measurement indicates the adequacy of the budget allocations towards the safeguarding of the existing asset base.

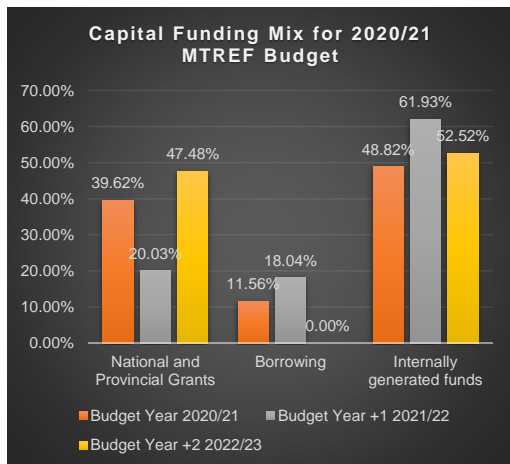


The Municipality allocated 55.5 per cent of the capital budget to trading service of which the bulk of the allocation is for water management (36.3%). For Waste Water Management and Waste Management the Municipality allocate 28.9 per cent and 19.0 per cent respectively.



The Municipality does incorporate section 16(3) of the MFMA into the budgeting process, which allows a municipality to appropriate large capital budgets for three financial years thus enabling municipalities to improve planning and initiate procurement processes earlier for capital projects in the two outer years of the MTREF.

Capital Funding:



Source: Saldanha Municipality, Draft Budget, 2020/21 A5-Schedule

Saldanha Municipality funds its capital mostly from its internally generated funds, followed by borrowings and lastly National and Provincial grants.

The Municipality has balanced funding mix for its capital projects.

In 2020/21, the Municipality is funding its capital projects by 48.8 per cent from own funds, 39.6 per cent from grants and 11.6 per cent from borrowings. A progressive increase in own funds over the MTREF is also observed except a slight decline in 2022/23 budget year.

The funding mix shows a good balance however municipality is urged to continue to maintain the capital replacement reserve for smoothing over the medium to long term given the changing nature of infrastructure demands and prudently monitor the sustainability thereof with due consideration of the affordability of municipal services to the consumer.

Borrowing - The Municipality plans to fund capital expenditure from borrowings to the amount of R63.53 (A7) million, R80.23 and 47.45 million 2020/21, 2021/22 and 2022/23 MTREF years respectively. **It is noted that the A7 and A5 do not align.** The gearing ratio indicates that the Municipality has the capacity to take increase funding from borrowings, however, this should be considered within the cash flow requirements of the Municipality. The ratio is within the National Treasury norm of 45 per cent.

Municipal response: Chief Financial Officer

Noted. A5 and A7 for year 2020/2021 correctly differs with regards to borrowings as per Table 15, funding sources in budget report. New external loans R 63.5 and external rolled over from 2019/2020 R 7.7 million.

4.3.5 Table A6 – Financial Position

The analysis of the A6 (Budgeted Financial Position) and A8 indicates that the Municipality has projects a positive working capital that demonstrates that it has enough funds to meet its short-term liabilities over the MTREF period. The above demonstrates that the Municipality has budgeted to achieve a positive working capital over the MTREF period.

Cash and cash Equivalents (A7)

The Municipality has budgeted for a positive cash and cash equivalents throughout the MTREF financial years of R415.92. million, R418.63 million and R452.35 million for 2020/21, 2021/22 and 2022/23

respectively. The year on year increases on the closing cash and cash equivalents over the MTREF budget depicts that the Municipality financial position is sustainable.

Current Ratio

The Municipality's current ratio is steady at 2.52:1 (2020/21), 2.47:1 (2021/22) and 2.55:1 (2022/23) which is above the NT norm of 1.5:1.

Liquidity ratio

The anticipated liquidity ratio is reported to be 1.72:1, 1.80:1, and 1.80:1 for the 2020/21, 2021/22 and 2022/23 years respectively. This ratio depicts that the Municipality will have adequate financial resources to settle its short-term debts when due and that the Municipality is not exposed to liquidity risk.

Cash Cover Ratio

The Municipality reflects a constant cost coverage ratio of 4 months for each of the MTREF years 2020/21, 2021/22 and 2022/23, demonstrating that the Municipality has adequate cash resources to meet its monthly fixed operating commitments from cash. The anticipated cash coverage ratio is above the NT norm of 1-3 months.

Debt (Total Borrowings) to total Operating Revenue

The debt ratio is increasing over the MTREF years from 18 percent (2020/21), 22 per cent (2021/22) to 23 per cent (2022/23) over the MTREF period. Although the Municipality will generate revenue and cash from its operations to service the projected additional debt, it should be noted the Municipality must consider all the relevant factors that will have an impact on the Municipality's cash flow.

Capital Cost (Interest Paid and Redemption/Total Operating Expenditure)

The capital cost ratio is fluctuating over the MTREF years from 3.40 per cent (2020/21) to 3.19 per cent (2021/22) and 3.75 per cent in 2022/23 years. The ratio is below the National Treasury norm of 6 - 8 per cent indicating that ratio is favourable, and the Municipality can take on the increased funding through borrowing.

4.3.6 Table A7 – Cash

The Municipality has budgeted for a positive budgeted cash flow as per the A7 (Budgeted Cash Flow Statement) of R415.92 million, R418.68 million and R452.38 million for 2020/21, 2021/22 and 2022/23 respectively.

It should be noted that the alignment of the budgeted amounts between the supporting schedules and A-Schedules indicates credibility and sustainability of the Municipality's budget when comparing and reconciling the A7 and SA30 tables. Both tables demonstrate that the cash receipts will exceed the cash payments and the net increase in cash held.

The analysis of the SA10 indicates that the Municipality has tabled a funded budget however the Municipality reported an Operating deficit of R62.44 million, R58.08 million and R56.39 million during the 2020/21, 2021/22 and 2022/23 MREF years. The A8 indicated a surplus of R65.18 million for 2020/21, R42.83 million for 2021/22 and R42.92 million for 2022/23.

The recalculation, by excluding the non-cash items such as depreciation, debt impairment and asset impairment yield a surplus from the operating revenue and expenditure, Therefore, the Municipality remains funded.

4.3.7 Table A8 – Application of Cash and Investments

The Municipality has taken into consideration the required applications to the reported cash and cash equivalents reflected in the table. The outcomes of the A8 table reflect that the Municipality’s budget is funded and sustainable over the MTREF period. The MTREF budget indicates that the Municipality intends to collect its revenue in with the anticipated budgeted average collection rate of 91 per cent.

4.4 MSCOA IMPLEMENTATION

Both the TABB and PRTA strings were submitted successfully on the LG database portal within 3 days from tabling the budget, in terms of Circular 99.

Table 511 Data strings submission status

Demarcation Description	Demarc Code	CAP	TABB	PRTA
Saldanha Bay	WC014	H	G	G

In performing the perfect alignment comparison of the council approved A-schedule to the data strings uploaded on the LG database portal, it was identified that the data sources were not perfectly aligned. The outcomes are displayed in the table below.

Table 612 Comparison between A1 Schedule and mSCOA data string of 2020/21 MTREF

Description	Current year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework								
	Adjusted Budget	Budget document	Difference	Budget Year 2020/21	Budget document	Difference	Budget Year 2021/22	Budget document	Difference	Budget Year 2022/23	Budget document	Difference
Financial Performance												
Property rates	226 720	226 720	-	241 301	241 301	-	253 366	253 366	-	265 528	265 528	-
Service charges	682 680	682 680	0	703 516	703 516	(0)	766 661	766 661	(0)	835 715	835 715	(0)
Investment revenue	47 609	47 609	-	52 895	52 895	-	57 154	57 154	-	61 758	61 758	-
Transfers recognised - operational	104 814	104 814	-	122 634	122 634	-	145 899	145 899	-	140 360	140 360	-
Other own revenue	68 341	75 816	7 475	70 648	81 996	11 348	74 151	86 066	11 915	77 713	90 200	12 487
Total Revenue (excluding capital transfers and contributions)	1 130 164	1 137 640	7 476	1 190 993	1 202 341	11 348	1 297 230	1 309 146	11 915	1 381 074	1 393 561	12 487
Employee costs	406 131	406 131	-	443 329	443 329	-	473 796	473 796	-	508 749	508 749	-
Remuneration of councillors	13 126	13 126	-	14 045	14 045	-	15 098	15 098	-	16 231	16 231	-
Depreciation & asset impairment	141 215	141 215	-	140 308	140 308	-	147 049	147 049	-	154 107	154 107	-
Finance charges	22 852	22 852	-	26 956	26 956	-	32 833	32 833	-	39 987	39 987	-
Materials and bulk purchases	372 967	372 967	-	388 706	388 706	-	421 700	421 708	-	458 447	458 447	-
Transfers and grants	4 602	4 602	-	6 210	6 210	-	5 578	5 578	-	5 750	5 750	-
Other expenditure	244 191	244 191	0	245 227	245 227	-	271 161	271 167	-	286 675	286 675	-
Total Expenditure	1 265 085	1 265 085	0	1 264 782	1 264 782	-	1 367 231	1 367 231	-	1 449 947	1 449 947	-
Surplus/(Deficit)	(74 921)	(67 445)	7 476	(73 789)	(62 441)	11 348	(70 000)	(58 085)	11 915	(68 874)	(56 386)	12 487
Transfers recognised - capital	55 153	55 153	-	54 432	54 432	-	30 900	30 900	-	49 186	49 186	-
Contributions recognised - capital & contributed assets	9 614	2 138	(7 476)	11 348	11 348	-	11 915	11 915	-	12 487	12 487	-
Surplus/(Deficit) after capital transfers & contributions	(10 154)	(10 154)	(0)	(8 008)	(8 008)	(0)	(27 185)	(27 185)	(0)	(7 281)	(7 281)	(0)
Share of surplus / (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(10 154)	(10 154)	(0)	(8 008)	(8 008)	(0)	(27 185)	(27 185)	(0)	(7 281)	(7 281)	(0)
Capital expenditure & funds sources												
Capital expenditure	306 558	306 558	-	260 198	260 198	-	197 163	197 163	-	159 162	159 162	-
Transfers recognised - capital	56 791	56 791	(0)	54 432	54 432	-	30 900	30 900	-	49 186	49 186	-
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	35 848	35 848	-	71 301	71 301	-	80 235	80 235	-	47 450	47 450	-
Internally generated funds	213 919	213 919	0	134 464	134 464	-	86 028	86 028	-	62 527	62 527	-
Total sources of capital funds	306 558	306 558	-	260 198	260 198	-	197 163	197 163	-	159 162	159 162	-
Financial position												
Total current assets	651 917	651 917	0	591 586	591 586	-	599 242	599 242	-	638 305	638 305	-
Total non current assets	2 957 577	2 957 577	0	3 077 466	3 077 466	-	3 127 581	3 127 581	-	3 132 636	3 132 636	-
Total current liabilities	238 649	238 649	(0)	234 786	234 786	(0)	243 022	243 022	(0)	250 637	250 637	(0)
Total non current liabilities	368 996	368 996	(0)	440 426	440 426	-	517 145	517 145	-	560 849	560 849	-
Community wealth/Equity	3 001 849	3 001 849	(0)	2 993 841	2 993 841	-	2 966 657	2 966 657	-	2 959 456	2 959 456	-
Cash flows												
Net cash from (used) operating	114 951	169 307	54 356	145 543	143 043	(2 499)	118 590	138 531	19 932	148 554	168 693	20 139
Net cash from (used) investing	(304 485)	(207 868)	96 617	(260 198)	(260 198)	-	(197 163)	(197 163)	-	(159 162)	(159 162)	-
Net cash from (used) financing	20 290	20 148	(142)	47 437	49 937	2 500	58 665	61 337	2 672	21 701	24 201	2 500
Cash/cash equivalents at the year end	430 989	77 499	(353 490)	415 922	415 922	-	396 000	418 627	22 627	429 719	452 358	22 639
Cash backing/surplus reconciliation												
Cash and investments available	483 139	483 139	(0)	415 922	415 922	-	418 627	418 627	-	452 358	452 358	-
Application of cash and investments	467 120	467 142	22	357 209	350 741	(6 468)	382 299	375 789	(6 509)	416 027	409 442	(6 585)
Balance - surplus (shortfall)	16 019	15 997	(22)	58 713	65 182	6 468	36 336	42 837	6 500	36 331	42 916	6 585
Asset management												
Asset register summary (WDV)	2 957 577	2 957 577	0	3 077 466	3 077 466	-	3 127 581	3 127 581	-	3 132 636	3 132 636	-
Depreciation & asset impairment	141 215	141 215	-	140 308	140 308	-	147 049	147 049	-	154 107	154 107	-
Renewal of Existing Assets	100 688	100 688	-	89 003	89 003	-	80 100	80 100	-	59 495	59 495	-
Repairs and Maintenance	73 497	73 497	-	65 972	65 972	-	69 550	69 550	-	73 033	73 033	-
Free services												
Cost of Free Basic Services provided	52 768	52 768	-	51 228	51 228	-	55 151	55 151	-	59 383	59 383	-
Revenue cost of free services provided	16 623	16 623	-	17 437	17 437	-	18 309	18 309	-	19 187	19 187	-
Households below minimum service level												
Water:	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-	-
Energy:	1 093	1 093	0	1 115	1 115	0	1 137	1 137	0	1 206	1 206	-0
Refuse:	-	-	-	-	-	-	-	-	-	-	-	-

Budget Office: Mandy Cornett

The differences on A1 can be summarised as follow:

	Reason for variance
Other Own Revenue	NT incorrectly mapped Development Charges (capital contributions) to Transfers and subsidies - capital (monetary allocations) (National / Provincial Department Agencies, Households, Non-profit Institutions, Private

	Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all). This is not a transfer and grant as the long description are as follow: Revenue; Exchange Revenue; Sales of Goods and Rendering of Services; Development Charges. We have identified this to NT during the Adjustment Budget process, but the incorrect mapping is still being used in the Tabled Budget.
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions) & Transfers and subsidies - capital (in-kind - all).	Refer to explanation provided under Other Own revenue.
Net cash from (used) operating	<p>It seems that NT allocates Consumer deposits to Payments and supplies under nett cash from operating activities. The municipality allocated consumer deposits under the item: Increase/decrease in consumer deposits under Cashflow from financing activities.</p> <p>NT also allocates noncash items like Post retirement benefits and interest on Non-current Provision to the cashflow which is not a cashflow item.</p>

The Wizard Tool was utilised to analyse the segment use in the data strings of the Municipality. The outcomes are listed in the table below.

Table 3 mSCOA Segment Analysis

No	Segment	SALDAHNA MUNICIPALITY
1	Project Segment	
1.1	Maintenance	
1.1.1	Corrective Maintenance	
1.1.1.1	Planned	Planned maintenance not used
1.1.1.2	Emergency	Emergency Maintenance not used
1.1.2	Preventative Maintenance	
1.1.2.1	Condition Based	Condition base Maintenance not used
1.1.2.2	Interval Based	Interval base maintenance not used
1.2	Typical Work Streams	Limited use of available options
1.3	Municipal Running Costs	Limited use of Municipal Running Costs
1.4	Revenue	Adequate use of available options
2	Fund Segment	
2.1	Use of Fund Segment	Adequate use of the Fund Segment
3	Function Segment	
3.1	Use of Function Segment	Function not used
4	Costing Segment	
4.1	Use of Costing Segment	Segment not used
5	Region Segment	
5.1	Use of Region Segment	Limited use of the Region Segment
6	Item Segment	
6.1	Travel and Subsistence	Moderate use of available options. No budget allocated for Foreign Travel
6.2	Contracted Services	
6.3.1	Outsourced	Substantial use of Outsourced Services. Budget of R32.02m allocated of which Traffic Fines Management amounts to R520k and Administrative and Support Staff amounts to R434k
6.3.2	Consultants and Professional Services	Substantial use of Consultants & Professional Services. Budget of R80.78m Maintenance Unspecified Assets R37.01 Business and Advisory:Business and Financial Management amount R5.66 Business and Advisory:Accounting and Auditing R1.13m Town Planner:R2.79m
6.3.3	Contractors	Moderate use of Contractors. Budget of R2.2m allocated of which Maintenance amounts to R2m
6.4	Employee Related Costs	
6.4.1	Senior Management	Budget allocated for MM & CFO other SM
6.4.2	Other	Adequate use of available options Ensure that bonuses are correctly split between performance bonus and annual bonus.
6.5	Bulk Purchases	Adequate use of available options
6.6	Councillors Remuneration	Adequate use of available options Budget allocated to Executive Mayor and Speaker
6.7	Advertising	Adequate use of available options
6.8	Communication	Moderate use of available options Postage/Stamps/Franking Machines Budget amounts to R1.93m Budget allocated for telephone expenses amounts to R3.57m Cellular Contracts R505K
6.9	Property Rates	Adequate use of available options
6.1	Sales of Goods & Services	Moderate use of available options
6.11	Service Charges	Adequate use of available options

Budget Office: Mandy Cornett

The finding with regards to maintenance is incorrect. See below Detail analysis of maintenance projects used:

Corrective Maintenance		2020/21	2021/22	2022/23
	Planned	15,760,004	16,494,648	17,429,592
	Emergency	24,932,546	26,771,928	28,057,656
Preventative Maintenance				
	Conditional	11,736,624	12,225,696	12,812,544
	Interval	13,542,753	14,058,000	14,732,820
TOTAL		65,971,927	69,550,272	73,032,612

The following findings are also incorrect:

Segment	Finding	Response
Typical Workstreams	Limited use of available options	We are making use of TW as far as possible.
Operational Running cost	Limited use	This is optimally used as the bulk of the Operating budget expenditure is linked to this project.
Function	Not used	We are making use of the function segment. Each cost centre in the budget is linked to a Function.
Costing	Not used	We are making use of the costing segment.
Region	Limited usage	We are making use of the costing segment as far as possible. Refer to our revenue split per region, maintenance and typical workstreams are being split per region. Our capital projects are also per region.
Travel and subsistence	No budget for foreign travel	Incorrect. We have budgeted for foreign travel under function: Municipal Manager Town Secretary and Chief Executive: Municipal Manager and Planning and Development.

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SECTION 5: KEY FINDINGS, RISKS AND RECOMMENDATIONS

This section outlines the main points and risks/recommendations based on the SIME Assessment.

INTEGRATED DEVELOPMENT PLANNING

- The Municipality should include an indication of how the 2020/21 IDP Review aligns with the MTSF, PSP and the JDA.

Municipal response: Director Economic and Strategic Services

[Noted](#)

ENVIRONMENTAL MANAGEMENT AND DEVELOPMENT PLANNING

Based on the narrative above, it will be determined if any adjustments or amendments are necessary. This will include highlighting any non-compliance or outstanding matters for consideration. In terms of compliance, certain sector plans may need updating and therefore the SDBIP must highlight this.

Spatial Planning:

In the absence of a CEF, it is advised that the Municipality identify priority development areas in line with the 6 key strategic interventions, not only to inform the MTEF, but also to meaningfully implement the growth management strategy of the Municipality and to track progress in this regard. Clarity on the spatial priority areas should be provided, as these areas should be the focus of funding to facilitate spatial transformation. Given budgetary constraints to have the whole municipal area as a priority area is not feasible.

The SDFs spatial management objectives and the spatial proposals should be used as the basis for development planning decision making and the Municipality is advised to mainstream water resilience in planning decision making. The recommendations of the Green Cape Studies and the GRSIF in this regard should be considered.

An assessment should be done on the alignment between the SDF and the draft EMF and once finalised, further discussions on the refinement of the land use proposals and maps should follow. The SDF section on spatial proposals for the Besaansklip Industrial Area should also be updated to reflect the SSOS once finalised, to give better guidance for future development. The Municipality is key to the successful implementation of the SSOS and is urged to define its role in the implementation thereof as the process to identify strategic partners and to facilitate different management options for the offset areas is unfolding.

It is anticipated that discussions regarding subsidised housing and the provision of social facilities, especially the identification of school sites will continue to inform the relevant sector plans and precinct planning.

Municipal response: Director Economic and Strategic Services

[It is noted that the SDF plans and the Besaansklip Industrial Area plan in particular, will be updated with the latest environmental information available from DEAD&P; PGWC once available – SBM is](#)

[aware that this matter is ongoing. The latter as also affects the SB-IDZ and therefore they have also engaged DEAD&P; PGWC in this regard, who in turn are having internal discussions.](#)

Biodiversity

It is recommended that the Municipality assign clear budget towards the implementation of the Alien Eradication Plan. The updated SDF should make it clear what spatial planning categories are assigned to CBAs and ESAs as per the WCBSP.

Municipal response: Director Economic and Strategic Services

[In respect to budgetary provision in 2020/2021 for the implementation of the Alien Eradication Plan, budgetary provision has been made under Function: Pollution Control Environmental Management \(780\) for appointment of external contractors where the Municipality is not able to handle within its own current operational resources.](#)

[Comment regarding assigning of SPCs to CBAs is noted for future revision of the SDF, where applicable.](#)

Climate Change

From the IDP report, it appears that the Municipality has been working on mainstreaming climate change into relevant development plans and projects although there is no specific budget allocated to climate change projects (either mitigation or adaptation). However, risk reduction and resilience building need to be integrated in some of the initiatives budgeted for implementation in the coming financial year e.g. in establishment of Organic Waste Diversion facility, Upgrading and renovation of infrastructure and revision of the Water and Sewer Master Plan. Guidance can be obtained from various WCG sector departments on how to ensure information feeding into mainstreaming of climate resilience into sector plans is up-to-date and relevant.

Municipal response: Director Economic and Strategic Services

[Noted](#)

Waste Management

(a) Waste Management Planning

The Municipality needs to submit their annual report as well as the Council Resolution for the adoption and approval of the IWMP once approved by the Council.

Municipal response: Director Engineering and Planning Services

[Noted](#)

(b) Waste Information Management

All municipalities must submit data verification sources e.g. the Waste Calculator Reports, Service Provider Reports or Weighbridge reports to the Department by 7th of each month for the previous month. All operational waste management facilities need to register on IPWIS and report their waste types and quantities online in accordance with Annexure 1 of the Waste Information System regulations. It must be noted that IPWIS online waste reports need to be completed from January 2014 to date. Municipal Waste Facilities should request their service providers (recyclers) to register on IPWIS. This should be done to ensure that Municipalities are able to report on waste diverted from landfill and to provide an indication where waste is diverted to.

Municipal response: Director Engineering and Planning Services

[Noted](#)

(c) Waste Minimisation & Policy Development

The Municipality should consider awareness programmes that focuses on waste minimisation more intensely. Mini drop-offs and recycling initiatives should be constructed and implemented in the lower income areas. This can be done by involving and supporting local recyclers in these areas where possible to promote local economic development and empowerment of disadvantaged groups.

To enhance current waste minimisation initiatives, especially as the Organic Waste ban is implemented by the Department, it is recommended that the Municipality revises their plan and start with implementation thereof.

Greater targeted awareness campaigns for informal and lower income areas should be initiated to boost waste minimisation awareness and anti-littering dumping challenges within the Municipality.

Municipal response: Director Engineering and Planning Services

[Noted](#)

(d) Waste Management Licensing

The Department recommends a continuation of the internal auditing process of all WMFs and submission of the internal audit reports within the Local Municipality. The proposed amendment of the Vredenburg WDF must be applied for and processed in order for the current cell construction to be concluded and waste management services to continue in the Local Municipality.

Municipal response: Director Engineering and Planning Services

[Noted](#)

Air Quality

A budget allocation to implement the Saldanha Bay Municipality's AQMP is required to be secured in its IDP to ensure that:

- Ambient air quality (passive or continuous monitoring of air pollutants via either a fully-equipped ambient air quality monitoring station or low-cost air quality sensors) is monitored,
- Air Quality Officers are trained in air quality management, and
- Air quality management intervention strategies are implemented in its jurisdiction.

The implementation of the Saldanha Bay Municipality's AQMP must also be measurable so that its performance and achievements can be assessed and reviewed after five (5) years, as required by the 2017 National Framework for Air Quality Management in the Republic of South Africa (DEFF, 2018).

Municipal response: Director Engineering and Planning Services

[Noted](#)

ECONOMIC SUSTAINABILITY

- The balanced budget approach is not evident in the Opex/Capex allocations, with only two strategic objectives adequately funded/prioritised in the Capital Budget in particular.

Municipal response: Chief Financial Officer

[The municipality must focus on its main objectives of which basic service delivery is the core. By providing sustainable electricity service, water service, sewage service, refuse removal, roads the municipality creates an environment for economic development that will contribute towards job creation.](#)

- The bulk of the 2020/21 operating budget spending (Opex) (51.6% in 2020/21) relates to the strategic objective "To be an innovative municipality on the cutting edge". This proves to be a shift from the 2019/20 strategic budget allocations which were primarily focused on "An effective, efficient and sustainable developmental oriented municipal administration."

Municipal response: Chief Financial Officer

[There is no major shift. It only appears to be the case, but the 2019/2020 Tabled budget reflected a high percentage on "an effective, efficient and sustainable developmental oriented municipal administration" due to the fact that the schedule was populated from the project perspective of which the biggest portion that is municipal running cost is linked to this function. It was presented in both projects linking perspective and function perspective. The SA4; SA5 and SA6 will be adjusted where necessary with the Final Budget.](#)

- The modest Capex allocations in 2020/21 towards Energy Sources (15.8 per cent of Total Trading Services allocations) is a cause for concern.

Municipal response: Chief Financial Officer

[Energy service in accordance with Directors EPS requirements for sustainable service delivery](#)

FINANCIAL SUSTAINABILITY

- The Asset Management ratio results overall are being well maintained, further consideration to improve the capital spending budget and levels of repairs and maintenance to be within the acceptable norm should be exercised over the MTREF.

Municipal response: Chief Financial Officer

[Noted. Capital budget as per funding affordability of municipality.](#)

- Revenue, Debtors and Liquidity Management ratio results overall are being well maintained however the Municipality should continue to enforce their credit control policies and revenue enhancement strategies.

Municipal response: Chief Financial Officer

[Noted](#)

- Liability Management ratio results overall are good, with the Municipality exercising caution in taking up borrowings. The Municipality needs to ensure that creditors are paid within the MFMA requirements.

Municipal response: Chief Financial Officer

[Noted](#)

- Expenditure Management ratio results overall are being well monitored with minimal irregular, fruitless and wasteful expenditure being incurred in the 2018/19 financial year.

Municipal response: Chief Financial Officer

[Noted](#)

- The tabled municipal Budget is credible, sustainable and funded however the following should be considered with the finalisation of the final budget for adoption:
- Against the background of an expected growing population due to the IDZ that will result in an increase demand for services, maintenance and renewal requirements of critical service delivery infrastructure, constrained economic and fiscal outlook.

Municipal response: Chief Financial Officer

[Noted](#)

- The two major service charges water and electricity experience pricing pressures due to well above inflationary increase of bulk purchases, increased capital outlay funded from borrowings compounded by restrictive tariffs cause by the drought, expansion of green economy and renewable technologies which raise the risk of demand patterns being permanently affected as major non-resident and high consumptions residential consumers are finding alternative sources for energy and water off the grid.

Municipal response: Chief Financial Officer

[Noted](#)

- Trading services experience pricing pressures due to well above inflationary increase of bulk purchases, increased capital outlay and borrowings compounded by restrictive tariffs cause by the drought, expansion of green economy and renewable technologies which raise the risk of demand patterns being permanently affected.

Municipal response: Chief Financial Officer

[Noted](#)

- The collection rate of Saldanha is under pressure to be maintained to be above the norm given the economic realities due to some tariffs increasing above inflation, which might be unaffordable to consumers.

Municipal response: Chief Financial Officer

[Tariff increases limited to inflation where possible](#)

- Repairs and maintenance remains low against national norms and standards.

Municipal response: Chief Financial Officer

[The municipality maintenance budget was underspent the past few years. Labor cost spent on maintenance not reflected in maintenance costs. Maintenance cost mostly only reflect material costs. A decision has been taken not to implement ABC costing as the cost thereof exceeds the benefits.](#)

- Reconsider the targets for the provision of free basic services which remains given the impact of COVID-19, particularly that Municipalities might be required to increase the permissible free access to basic services.

Municipal response: Chief Financial Officer

[Although indigent consumers will be accommodated within the indigent policy with, the additional impact of COVID-19 with regard to free basic services will be addressed in main adjustments budget when more data will be available.](#)

- Provide an overview of the anticipated impact of COVID-19 on its events management function i.e. loss of rental income and the diminished need for safety, security and emergency response services offered at certain community events with the adoption of the 2020/21 MTREF budget.

Municipal response: Chief Financial Officer

The total impact is not yet known. It is however certain that the debtor's payment ratio will be affected. The holiday resorts and halls has been closed. This will however not have a material impact on the municipality as the revenue for these represents only 1.3% of total operating revenue.

- Property rates vacant land and sewerage tariff increases for the 2020/21 financial year, are higher than the upper band of inflation.

Municipal response: Chief Financial Officer

The council specifically increase property rates on vacant erven more than other properties in order to encourage development of vacant erven, that will generate more revenue.

- The Municipality is encouraged to ensure that the proposed tariffs strike the right balance between competing economic, environmental and social objectives.

Municipal response: Chief Financial Officer

Noted

- The overall cash flow planning of the Municipality does however contribute towards the sustainability of the budget, and in terms of cash flow planning, the budget is funded

Municipal response: Chief Financial Officer

Noted

- The liquidity ratios of the Municipality indicate that the Municipality is in a position to fulfil its their financial commitments. The draft budget over the MTREF period indicates that the Municipality is not exposed to a liquidity risk.

Municipal response: Chief Financial Officer

[Noted](#)

- The debt to Operating Revenue is increasing trend over the MTRF period.

Municipal response: Chief Financial Officer

[Although increasing it is still far below norm](#)

ANNEXURE A

Contact details of officials working in DEA&DP should guidance be required in terms of the COVID-19 considerations highlighted in the report:

Mr Zaahir Toefy Director: Development Management Email: zaahir.toefy@westerncape.gov.za	Region 1: City of Cape Town and West Coast District Municipal area. Region 2: Cape Winelands District Municipal area and Overberg District Municipal area
Mr Gavin Benjamin Director: Development Management Email: gavin.benjamin@westerncape.gov.za	Region 3: Garden Route District Municipal area and Central Karoo District Municipal area.
Mr Eddie Hanekom Director: Waste Management Email: eddie.hanekom@westerncape.gov.za	Western Cape
Dr Joy Leaner Director: Air Quality Management Email: joy.leaner@westerncape.gov.za	Western Cape
Mr Marius Venter Environmental and Planning Appeals Co-ordinator Email: marius.venter@westerncape.gov.za	Western Cape
Mr Kobus Munro Director: Development Management Email: kobus.munro@westerncape.gov.za	Western Cape